FRONTLINE LTD /
Form 20-F
April 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC. 20549

FORM 20-F

(Mark One)

o 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, 2010

OR

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

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report
____

For the transition period from _________________ to _________________

Commission file number 001-16601

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

(Translation of Registrant's name into English)

Bermuda
(Jurisdiction of incorporation or organization)

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

Georgina Sousa, Telephone: (1) 441 295 6935, Facsimile: (1) 441 295 3494,
Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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.

None
(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.

77,858,502 Ordinary Shares, $2.50 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the

preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board o Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

INDEX TO REPORT ON FORM 20-F

PAGE		
PART I		
Item 1.	Identity of Directors, Senior Management and Advisers	2
Item 2.	Offer Statistics and Expected Timetable	2
Item 3.	Key Information	2
Item 4.	Information on the Company	20
Item 4A.	Unresolved Staff Comments	35
Item 5.	Operating and Financial Review and Prospects	35
Item 6.	Directors, Senior Management and Employees	56
Item 7.	Major Shareholders and Related Party Transactions	59
Item 8.	Financial Information	61
Item 9.	The Offer and Listing	62
Item 10.	Additional Information	63
Item 11.	Quantitative and Qualitative Disclosures about Market Risk	72
Item 12.	Description of Securities other than Equity Securities	72
PART II		
Item 13.	Defaults, Dividend Arrearages and Delinquencies	72
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	72
Item 15.	Controls and Procedures	72
Item 16.	Reserved	73
Item 16A.	Audit Committee Financial Expert	73
Item 16B.	Code of Ethics	74
Item 16C.	Principal Accountant Fees and Services	74
Item 16D.	Exemptions from the Listing Standards for Audit Committees	74
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	74
Item 16F.	Change in Registrant's Certifying Accountant	74
Item 16G.	Corporate Governance	75
PART III		
Item 17.	Financial Statements	76
Item 18.	Financial Statements	76
Item 19.	Exhibits	77

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this report and the documents incorporated by reference may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which 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. and its subsidiaries, 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 report 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," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and 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. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference 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 and dry bulk markets, changes in world wide oil production and consumption and storage, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, the market for the Company's vessels, availability of financing and refinancing, 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, political events or acts by terrorists, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission or 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

Throughout this report, the "Company," "we," "us" and "our" all refer to Frontline Ltd. and its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. The Company operates tankers of two sizes: very large crude carriers, or VLCCs, which are between 200,000 and 320,000 deadweight tons, or dwt, and Suezmax tankers, which are vessels between 120,000 and 170,000 dwt. We also operate oil/bulk/ore or OBO carriers, which are currently classified to carry dry cargo. Unless otherwise indicated, all references to "USD","US$" and "$" in this report are U.S. dollars.

A. SELECTED FINANCIAL DATA

The selected statement of operations data of the Company with respect to the fiscal years ended December 31, 2010, 2009 and 2008 and the selected balance sheet data of the Company with respect to the fiscal years ended December 31, 2010 and 2009, respectively, 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 statement of operations data with respect to the fiscal years ended December 31, 2007 and 2006 and the selected balance sheet data with respect to the fiscal years ended December 31, 2008, 2007 and 2006 have been derived from consolidated financial statements of the Company not included herein. 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. The Company's accounts are maintained in U.S. dollars.

	Fiscal year ended December 31,				
	2010	2009	2008	2007	2006
(in thousands of $, except ordinary shares, per share data and ratios)					
Statement of Operations Data (1):					
Total operating revenues	1,165,215	1,133,286	2,104,018	1,299,927	1,558,369
Total operating expenses	888,238	896,237	1,395,831	898,904	850,623
Net operating income	307,912	240,110	850,480	519,191	803,401
Net income from continuing operations before income taxes and noncontrolling interest	164,222	105,833	701,264	503,991	661,330
Net income from continuing operations	164,004	105,472	700,954	587,138	661,168
Discontinued operations (2)	-	-	-	5,442	13,514
Net income attributable to Frontline Ltd.	161,407	102,701	698,770	570,418	516,000
Earnings from continuing operations per ordinary share					

- basic	$	2.07	$	1.32	$	9.15	$	7.55	$	6.72
- diluted	$	2.07	$	1.32	$	9.14	$	7.55	$	6.72
Net income per ordinary share										
- basic	$	2.07	$	1.32	$	9.15	$	7.62	$	6.90
- diluted	$	2.07	$	1.32	$	9.14	$	7.62	$	6.90
Cash dividends declared per share	$	2.00	$	0.90	$	8.25	$	8.30	$	7.00

	Fiscal year ended December 31,				
	2010	2009	2008	2007	2006
(in thousands of $, except ordinary shares and ratios)					
Balance Sheet Data (at end of year) (1):					
Cash and cash equivalents	176,639	82,575	190,819	168,432	197,181
Newbuildings	224,319	413,968	454,227	160,298	166,851
Vessels and equipment, net	1,430,124	678,694	438,161	208,516	2,446,278
Vessels and equipment under capital lease, net	1,427,526	1,740,666	2,100,717	2,324,789	626,374
Investments in unconsolidated subsidiaries and associated companies	3,408	3,923	4,467	5,633	17,825
Total assets	3,797,920	3,715,218	4,027,728	3,762,091	4,589,937
Short-term debt and current portion of long-term debt	173,595	123,884	293,471	96,811	281,409
Current portion of obligations under capital lease	193,379	285,753	243,293	179,604	28,857
Long-term debt	1,190,763	760,698	614,676	376,723	2,181,885
Obligations under capital leases	1,336,908	1,579,708	1,969,919	2,318,794	723,073
Share capital	194,646	194,646	194,646	187,063	187,063
Total stockholders' equity	747,133	741,340	702,217	445,969	668,560
Ordinary shares outstanding	77,858,502	77,858,502	77,858,502	74,825,169	74,825,169
Weighted average ordinary shares outstanding	77,858,502	77,858,502	76,352,673	74,825,169	74,825,169
Other Financial Data:					
Equity to assets ratio (percentage) (3)	19.7%	20.0%	17.4%	11.8%	14.6%
Debt to equity ratio (4)	3.9	3.7	4.4	6.7	4.8
Price earnings ratio (5)	12.3	20.7	3.2	6.3	4.6
Time charter equivalent revenue (6)	861,829	896,843	1,493,912	938,960	1,154,029

Notes:

1. The Company distributed the majority of its remaining shareholding in Ship Finance International Limited ("Ship Finance") in March 2007 and no longer consolidates Ship Finance as of March 31, 2007. A summary of the major changes to the financial statements is as follows;

    a. Vessels leased from Ship Finance, which were previously reported as wholly owned, are reported as vessels held under capital lease.
    b. Capital lease obligations with Ship Finance, which were previously eliminated on consolidation are reported as liabilities with the related interest recorded in the income statement.
    c. Debt incurred by Ship Finance, which was previously reported as debt of the Company, is no longer reported.
    d. Derivative instruments held by Ship Finance are no longer reported.

e. Noncontrolling interest expense relating to Ship Finance is no longer reported.
f. Profit share expense relating to amounts due to Ship Finance is shown in the income statement.
g. Results from Ship Finance's container ships, jack-up rigs and Panamax vessels are no longer reported in the Company's consolidated results.

2. The Company disposed of the container vessel and rig operations of Ship Finance in the first quarter of 2007 as a result of the spin off of Ship Finance. These operations have been recorded as discontinued operations in 2007 and 2006.

3. Equity-to-assets ratio is calculated as total stockholders' equity divided by total assets.

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

5. Price earnings ratio is calculated by dividing the closing year end share price by basic earnings per share.

6. A reconciliation of time charter equivalent revenues to total operating revenues as reflected in the consolidated statements of operations is as follows:

	2010	2009	2008	2007	2006
(in thousands of $)					
Total operating revenues	1,165,215	1,133,286	2,104,018	1,299,927	1,558,369
Less:					
Other income	(20,678)	(17,068)	(17,918)	(8,516)	(5,294)
Voyage expense	(282,708)	(219,375)	(592,188)	(352,451)	(399,046)
Time charter equivalent revenue	861,829	896,843	1,493,912	938,960	1,154,029

Consistent with general practice in the shipping industry, the Company uses time charter equivalent revenue, which represents operating revenues less voyage expenses, as a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. Time charter equivalent revenue, a non-GAAP measure, provides additional meaningful information in conjunction with operating revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating the Company's financial performance.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

We are engaged in the seaborne transportation of crude oil, oil products and dry bulk cargoes. The following summarizes some of the risks that may materially affect our business, financial condition or results of operations. As our OBOs are currently fitted to carry dry bulk cargoes, we include risk factors related to dry bulk vessels.

Risks Related to Our Industry

Tankers

If the tanker industry, which historically has been cyclical, is depressed in the future, our earnings and available cash flow may be adversely affected

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. Charter rates are still relatively low compared to the rates achieved in the years preceding the global financial crisis, and the recent upward trend in charter rates since the historical lows reached in 2009 may be short lived. These factors may adversely affect the rates payable and the amounts we receive in respect of our vessels operating in tanker pools, as well as our ability to recharter any non-pooled vessels we may have in the future. Our ability to charter our vessels on the expiration or termination of

their current spot and time and bareboat 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 tanker values result from changes in the supply and demand for tanker capacity. According to industry sources, newbuilding orders for oil tankers in 2010 increased from their relatively low levels in 2009.

The factors that influence demand for tanker capacity include:

- supply and demand for oil and oil products;
- global and regional economic and political conditions, including developments in international trade and fluctuations in industrial and agricultural production;

- regional availability of refining capacity;
- environmental and other legal and regulatory developments;
- the distance oil and oil products are to be moved by sea;
- changes in seaborne and other transportation patterns, including changes in the distances over which tanker cargoes are transported by sea;
- currency exchange rates;
- weather and acts of God and natural disasters, including hurricanes and typhoons;
- competition from alternative sources of energy and from other shipping companies and other modes of transport; and
- international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars.

The factors that influence the supply of tanker capacity include:

- current and expected purchase orders for tankers;
- the number of tanker newbuilding deliveries;
- the scrapping rate of older tankers;
- the successful implementation of the phase-out of single-hull tankers;
- technological advances in tanker design and capacity;
- tanker freight rates, which are affected by factors that may effect the rate of newbuilding, swapping and laying up of tankers;
- price of steel and vessel equipment;
- conversion of tankers to other uses or conversion of other vessels to tankers;
- the number of tankers that are out of service; and
- changes in environmental and other regulations that may limit the useful lives of tankers.

The factors affecting the supply and demand for tankers have been volatile and are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable, including those discussed above.

The international tanker industry has experienced volatile charter rates and vessel values and there can be no assurance that these charter rates and vessel values will return to their previous high levels

Charter rates in the tanker industry are volatile. We anticipate that future demand for our vessels, and in turn our future charter rates, will be dependent upon economic growth in the world's economy as well as seasonal and regional changes in demand and changes in the capacity of the world's fleet. We believe that these charter rates are the result of economic growth in the world economy that exceeds growth in global vessel capacity. There can be no assurance that economic growth will not stagnate or decline leading to a further decrease in vessel values and charter rates. A further decline in vessel values and charter rates could have an adverse effect on our business, financial condition, results of operation and ability to pay dividends.

Any decrease in shipments of crude oil may adversely affect our financial performance

The demand for our oil tankers derives primarily from demand for Arabian Gulf, West African, North Sea and Carribean crude oil, which, in turn, primarily depends on the economies of the world's industrial countries and competition from alternative energy sources. A wide range of economic, social and other factors can significantly affect the strength of the world's industrial economies and their demand for crude oil from the mentioned geographical areas. One such factor is the price of worldwide crude oil. The world's oil markets have experienced high levels of volatility in the last 25 years. In July 2008, oil prices rose to a high of approximately $143 per barrel before decreasing to approximately $38 per barrel by the end of December 2008 and rising to approximately $92 by the end of December 2010.

Any decrease in shipments of crude oil from the above mentioned geographical areas would have a material adverse effect on our financial performance. Among the factors which could lead to such a decrease are:

- increased crude oil production from other areas;
- increased refining capacity in the Arabian Gulf or West Africa;
- increased use of existing and future crude oil pipelines in the Arabian Gulf or West Africa;
- a decision by Arabian Gulf or West African oil-producing nations to increase their crude oil prices or to further decrease or limit their crude oil production;
- armed conflict in the Arabian Gulf and West Africa and political or other factors; and
- the development and the relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

An over-supply of tanker capacity may lead to reductions in charter rates, vessel values and profitability

In recent years, shipyards have produced a large number of new tankers. If the capacity of new vessels delivered exceeds the capacity of tankers being scrapped and converted to non-trading tankers, tanker capacity will increase. If the supply of tanker capacity increases and the demand for tanker capacity does not increase correspondingly, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations, our ability to pay dividends and our compliance with loan covenants.

Dry Bulk

Charter hire rates for dry bulk vessels may decrease in the future, which may adversely affect our earnings

The dry bulk shipping industry is cyclical with attendant volatility in charterhire rates and profitability. The degree of charterhire rate volatility among different types of dry bulk vessels has varied widely, and charterhire rates for dry bulk vessels have declined significantly from historically high levels. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;

- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;

- the location of regional and global exploration, production and manufacturing facilities;

- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities; embargoes and strikes;
- developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of vessel capacity include:

- number of newbuilding deliveries;
- scrapping of older vessels;
- vessel casualties; and
- number of vessels that are out of service.

Demand for our dry bulk vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global dry bulk fleet and the sources and supply of dry bulk cargo transported by sea. Given the large number of new dry bulk carriers currently on order with shipyards, the capacity of the global dry bulk carrier fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

A continued downturn in the dry bulk carrier charter market may have an adverse effect on our earnings and our ability to comply with our loan covenants

The abrupt and dramatic downturn in the dry bulk charter market has severely affected the dry bulk shipping industry. The Baltic Dry Index, an index published by The Baltic Exchange of shipping rates for 20 key dry bulk routes, fell 94% from a peak of 11,793 in May 2008 to a low of 663 in December 2008. During 2009, the BDI remained volatile, reaching a low of 772 on January 5, 2009 and a high of 4,661 on November 19, 2009. The BDI came under pressure in December 2009 and January 2010, reaching a low of 2,571 on February 12, 2010 as stalled iron ore pricing negotiations added uncertainty to the freight markets. The index then staged a modest recovery based on strong demand for commodities from Asia and a recovering global market, but it has remained somewhat volatile due to increases in vessel supply. As of the end of December 2010, the index stood at 1,773. This downturn in dry bulk charter rates and their volatility, which has resulted from the economic dislocation worldwide and the disruption of the credit markets, have had a number of adverse consequences for dry bulk shipping, including, among other things:

- an absence of financing for vessels;
- no active second-hand market for the sale of vessels;
- extremely low charter rates, particularly for vessels employed in the spot market;
- widespread loan covenant defaults in the dry bulk shipping industry; and

- declaration of bankruptcy by some operators and ship owners as well as charterers.

The occurrence of one or more of these events could adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. There can be no assurance that the dry bulk charter market will recover over the next several months and the market could continue to decline further.

Dry bulk carrier values have also declined both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates. Charter rates and vessel values have been affected in part by the lack of availability of credit to finance both vessel purchases and purchases of commodities carried by sea, resulting in a decline in cargo shipments, and the excess supply of iron ore in China, which resulted in falling iron ore prices and increased stockpiles in Chinese ports. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether the recent improvement will continue. Charter rates may remain at low levels for some time which will adversely affect our revenue and profitability.

In addition, because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels, which may adversely affect our earnings. If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings.

An oversupply of dry bulk carrier capacity may lead to reductions in charterhire rates and profitability

The market supply of dry bulk carriers has been increasing as a result of the delivery of numerous newbuilding orders over the last few years. Newbuildings were delivered in increasing numbers starting at the beginning of 2006 and continued to be delivered in increasing numbers from 2007 through 2010.

An oversupply of dry bulk carrier capacity may result in a reduction of charterhire rates, as evidenced by historically low rates in December 2008. If such dry bulk carrier capacity increase continues, we may only be able to charter our vessels at reduced or unprofitable rates, or we may not be able to charter these vessels at all. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Shipping Generally

Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition

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

- a marine disaster;
- terrorism;
- 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, labor 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.

The current global economic downturn may negatively impact our business

In recent years, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. At times, lower demand for dry bulk cargoes and crude oil as well as diminished trade credit available for the delivery of such dry bulk cargoes and crude oil have led to decreased demand for dry bulk vessels and tankers, respectively, creating downward pressure on charter rates. Although vessel values have stabilized over the past few months, general market volatility has resulted from uncertainty about sovereign debt and fears of countries such as Greece, Portugal and Spain defaulting on their governments' financial obligations. If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- we may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate our vessels profitably; and

- the market value of our vessels could decrease, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired.

The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Acts of piracy on ocean-going vessels could adversely affect our business

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Throughout 2009 and 2010, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, or Joint War Committee (JWC) "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to pay dividends.

World events could affect our results of operations and financial condition

Terrorist attacks in New York on September 11, 2001, in London on July 7, 2005 and in Mumbai on November 26, 2008 and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. The continuing presence of United States and other armed forces in Iraq and Afghanistan may lead to additional acts of terrorism and armed conflict around the world including North Africa may contribute to further economic instability in the global financial markets and may affect our business, operating results and financial condition. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Terrorist attacks on vessels, such as the October 2002 attack on the M.V. Limburg, a very large crude carrier not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility and turmoil of the financial markets in the United States and globally. Any of these occurrences, or the perception that our vessels are potential terrorist targets, could have a material adverse impact on our revenues and costs.

The recent earthquake and tsunami in Japan may have an adverse effect on our business, results of operations, financial condition and ability to pay dividends

Japan is one of the world's leading importers of oil and dry bulk commodities. The earthquake and tsunami that occurred in Japan on March 11, 2011 have caused an estimated $180 billion of damage and have threatened to send

the Japanese economy into a recession. As of the date of this annual report, the extent to which the earthquake and tsunami will affect the international shipping industry is unclear. A prolonged recovery period coupled with a relatively stagnant Japanese economy could decrease oil and dry bulk imports to the world's third-largest economy. This, in turn, could have a material adverse effect on our business and results of operations.

If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, that could adversely affect our reputation and the market for our common stock

From time to time on charterers' instructions, our vessels may call on ports located in Iran, which is a country subject to sanctions and embargoes imposed by the United States government and a country identified by the U.S. government as a state sponsor of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. With effect from July 1, 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ("CISADA"), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as our company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our company. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income

The hull and machinery of every commercial vessel must be certified as being "in class" by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two and a half to five years for inspection of its underwater parts.

Compliance with the above requirements may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We are subject to complex laws and regulations, including environmental laws and regulations, that can adversely affect our business, results of operations and financial condition

Our operations will be subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the International Maritime

Organization, or IMO, International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended) generally referred to as CLC, the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended), generally referred to as MARPOL, the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended), generally referred to as SOLAS, the IMO International Convention on Load Lines of 1966 (as from time to time amended) and the U.S. Maritime Transportation Security Act of 2002. Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. Compliance with such laws and regulations may require us to obtain certain permits or authorizations prior to commencing operations. Failure to obtain such permits or authorizations could materially impact our business results of operations, financial conditions and ability to pay dividends by delaying or limiting our ability to accept charterers. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability, without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. Federal, state and local laws, as well as third-party damages, including punitive damages, and could harm our reputation with current or potential charterers of our tankers. We will be required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although our technical manager will arrange for insurance to cover our vessels with respect to certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Furthermore, the explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the tanker industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Maritime claimants could arrest one or more of our vessels, 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 a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the "sister ship" theory of liability applies, a claimant may arrest 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. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

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

A government of a vessel's registry could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Risks Related to Our Business

A drop in spot charter rates may provide an incentive for some charterers to default on their charters

When we enter into a time charter, charter rates under that charter are fixed for the term of the charter. If the spot charter rates or short-term time charter rates in the tanker or dry bulk shipping industry, as applicable, become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

The operation of dry bulk carriers and tankers each involve certain unique operational risks

The operation of dry bulk carriers has certain unique operational risks. With a dry bulk carrier, the cargo itself and its interaction with the ship can be a risk factor. By their nature, dry bulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This treatment may cause damage to the dry bulk carrier. Dry bulk carriers damaged due to treatment during unloading procedures may be more susceptible to a breach to the sea. Hull breaches in dry bulk carriers may lead to the flooding of their holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the dry bulk carrier's bulkheads leading to the loss of the dry bulk carrier.

The operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and a catastrophic spill could exceed the insurance coverage available. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers.

If we are unable to adequately maintain or safeguard our vessels we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, results of operations. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Purchasing and operating previously owned, or secondhand, vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings

Our current business strategy includes growth through the acquisition of previously owned vessels. Even following a physical inspection of secondhand vessels prior to purchase, we do not have the same knowledge about their condition and cost of any required (or anticipated) repairs that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels prior to purchase. Any such hidden defects or problems, when detected may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology.

Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

The volatility in both dry bulk and tanker charter rates, and vessel values, may affect our ability to comply with various covenants in our loan agreements

Our loan agreements for our borrowings, which are secured by liens on our vessels, contain various financial covenants. Among those covenants are requirements that relate to our financial position, operating performance and liquidity. For example, there are financial covenants that require us to maintain (i) a minimum value adjusted equity that is based, in part, upon the market value of the vessels securing the loans, (ii) minimum levels of free cash, and (iii) a positive working capital. The market value of dry bulk and tanker vessels is sensitive, among other things, to changes in the dry bulk and tanker charter markets, respectively, with vessel values deteriorating in times when dry

bulk and tanker charter rates, as applicable, are falling and improving when charter rates are anticipated to rise. Such conditions may result in our not being in compliance with these loan covenants. In such a situation, unless our lenders were willing to provide waivers of covenant compliance or modifications to our covenants, or would be willing to refinance our indebtedness, we may have to sell vessels in our fleet and/or seek to raise additional capital in the equity markets in order to comply with our loan covenants. Furthermore, if the value of our vessels deteriorates significantly, we may have to record an impairment adjustment in our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital.

If we are not in compliance with our covenants and are not able to obtain covenant waivers or modifications, our lenders could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments or pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, or they could accelerate our indebtedness, which would impair our ability to continue to conduct our business. In such an event, our auditors may give either an unqualified opinion with an explanatory paragraph relating to the disclosure in the notes to our financial statements as to the substantial doubt of our ability to continue as a going concern, or a qualified, adverse or disclaimer of opinion, which could lead to additional defaults under our loan agreements. If our indebtedness is accelerated, we might not be able to refinance our debt or obtain additional financing and could lose our vessels if our lenders foreclose their liens. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan agreements.

Our ability to obtain additional debt financing may be dependent on the performance of our then-existing charters and the creditworthiness of our charterers

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources required to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at anticipated costs or at all may materially affect our results of operation and our ability to implement our business strategy.

Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition

We plan to operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results, as our vessels will trade in the spot market. Peaks in tanker demand quite often precede seasonal oil consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: increased demand prior to Northern Hemisphere winters as heating oil consumption increases and increased demand for gasoline prior to the summer driving season in the United States.

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 but not limited to 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;
- shipyard capacity;
- governmental or other regulations;
- age of vessels;

- prevailing level of charter rates; and

- technological advances.

During the period a vessel is subject to a charter, we will not be permitted to sell it to take advantage of increases in vessel values without the charterers' agreement. 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 a reduction of our shareholders' equity. It is possible that the market value of our vessels will decline in the future and this will also have an adverse effect on some of the financial covenants in our loan agreements.

We may be unable to successfully compete with other vessel operators for charters, which could adversely affect our results of operations and financial position

The operation of tankers and dry bulk vessels and transportation of crude and petroleum products and dry bulk cargoes is extremely competitive. Through our operating subsidiaries we compete with other vessel owners (including major oil companies as well as independent companies), and, to a lesser extent, owners of other size vessels. The tanker and dry bulk markets are highly fragmented. It is possible that we could not obtain suitable employment for our vessels, which could adversely affect our results of operations and financial position.

Our time and bareboat charters may limit our ability to benefit from any improvement in charter rates, and at the same time, our revenues may be adversely affected if we do not successfully employ our vessels on the expiration of our charters

Currently, some of our vessels are contractually committed to time and bareboat charters. Although our time and bareboat charters generally provide reliable revenues, they also limit the portion of our fleet available for spot market voyages during an upswing in the tanker industry cycle, when spot market voyages might be more profitable. By the same token, we cannot assure you that we will be able to successfully employ our vessels in the future or renew our existing charters at rates sufficient to allow us to operate our business profitably or meet our obligations. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on our business, financial condition, results of operation and ability to pay dividends.

Delays or defaults by the shipyards in the construction of our newbuildings could increase our expenses and diminish our net income and cash flows

We currently have newbuilding contracts for the construction of a total of five VLCCs with the Chinese shipyard Zhoushan Jinhaiwan Shipyard Co. Ltd, or Jinhaiwan, and two Suezmax vessels with the Chinese shipyard, Jiangsu Rongsheng Heavy Industries Group Co. Ltd., or Rongsheng. These projects are subject to the risk of delay or defaults by the shipyards caused by, among other things, unforeseen quality or engineering problems, work stoppages, weather interference, unanticipated cost increases, delays in receipt of necessary equipment, and inability to obtain the requisite permits or approvals. In accordance with industry practice, in the event the shipyards are unable or unwilling to deliver the vessels, we may not have substantial remedies. Failure to construct or deliver the ships by the shipyards or any significant delays could increase our expenses and diminish our net income and cash flows.

We cannot assure you that we will be able to refinance indebtedness incurred under our current credit facilities

We cannot assure you that we will be able to refinance our indebtedness on terms that are acceptable to us or at all. If we are not able to refinance our indebtedness, we will have to dedicate a greater portion of our cash flow from operations to pay the principal and interest of this indebtedness. We cannot assure you that we will be able to generate cash flow in amounts that are sufficient for these purposes. If we are not able to satisfy these obligations, we may have

to undertake alternative financing plans or sell our assets. In addition, debt service payments under our credit facilities may limit funds otherwise available for working capital, capital expenditures, payment of dividends and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

As we expand our fleet, we may not be able to recruit suitable employees and crew for our vessels which may limit our growth and cause our financial performance to suffer

As we expand our fleet, we will need to recruit suitable crew, shoreside, administrative and management personnel. We may not be able to continue to hire suitable employees as we expand our fleet of vessels. If we are unable to recruit suitable employees and crews, we may not be able to provide our services to customers, our growth may be limited and our financial performance may suffer.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business

We have entered into various contracts, including charterparties with our customers, newbuilding contracts with shipyards and our credit facilities. Such agreements subject us to counterparty risks. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Our charterers may fail to pay charterhire or attempt to renegotiate charter rates. Should a charterer fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure on the spot market or on charters may be at lower rates, depending on the then existing charter rate levels, compared to the rates currently being charged for our vessels. In addition, if the charterer of a vessel in our fleet that is used as collateral under our credit facility or any other loan agreement defaults on its charter obligations to us, such default may constitute an event of default under our credit facility or the relevant loan agreement, which may allow the bank to exercise remedies under our credit facility or the loan agreement. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our loan agreements. Further, if we had to find a replacement technical manager, we may need approval from our lenders to change the technical manager.

The ability of each of the counterparties to perform its obligations under a contract with us or contracts entered into on our behalf will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping sector, the overall financial condition of the counterparty, charter rates received for tanker vessels and the supply and demand for commodities. Should a counterparty fail to honor its obligations under any such contracts, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Declines in charter rates and other market deterioration could cause us to incur impairment charges

The carrying values of our vessels are reviewed whenever events or changes in circumstances indicate that the carrying amount of the vessel may no longer be recoverable. We assess recoverability of the carrying value by estimating the future net cash flows expected to result from the vessel, including eventual disposal. If the future net undiscounted cash flows and the estimated fair market value of the vessel are less than the carrying value an impairment loss is recorded equal to the difference between the vessel's carrying value and fair value. Any impairment charges incurred as a result of declines in charter rates and other market deterioration could negatively affect our business, financial condition, operating results or the trading price of our Ordinary Shares.

Fuel or bunker prices, may adversely affect our profits

For vessels on voyage charters, fuel oil, or bunkers, is a significant, if not the largest, expense. Changes in the price of fuel may adversely affect our profitability to the extent we have vessels on voyage charters. The price and supply of

fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

Operational risks and damage to our vessels could adversely impact our performance

If our vessels suffer damage due to inherent operational risks, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our revenues and business and financial condition.

Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located relative to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss which could negatively impact our business, financial condition, results of operations and cash flows.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our business

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Since the events of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. These security procedures can result in delays in the loading, offloading or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the tanker sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

Risks Related to Our Company

Incurrence of expenses or liabilities may reduce or eliminate distributions

Our policy is to make distributions to shareholders based on earnings and cash flow, and our dividends have fluctuated based on such factors. The amount and timing of dividends will depend on our earnings, market prospects, capital expenditure program, investment opportunities and other factors. However, we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution by us as dividends. In addition,

the timing and amount of dividends, if any, is at the discretion of our Board of Directors. We cannot assure you that we will pay dividends.

Our financing obligations could affect the ability of our subsidiaries to incur additional indebtedness or our ability to engage in certain transactions

Our financing agreements impose operational and financing restrictions on us and/or our subsidiaries, which may significantly limit or prohibit, among other things, our subsidiaries' ability to, without the consent of our lenders, incur additional indebtedness, create liens, make certain investments or, if a default has been declared, to pay dividends, our ability to sell capital shares of subsidiaries and engage in mergers and acquisitions. 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 prepay, pledge additional collateral or obtain waivers from our lenders, our lenders could accelerate our debt and foreclose on our vessels.

We may not be able to finance our future capital commitments

We cannot guarantee that we will be able to obtain additional financing at all or on terms acceptable to us. If adequate funds are not available, we may have to reduce expenditures for investments in new and existing projects, which could hinder our growth and prevent us from realizing potential revenues from prior investments which will have a negative impact on our cash flows and results of operations.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Our current tanker fleet has an average age of approximately 11 years, and our current drybulk carrier fleet has an average age of approximately 20 years. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, including environmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions might not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement at the end of a vessel's useful life our revenue will decline, which would adversely affect our business, results of operations, financial condition and ability to pay dividends

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations, financial condition and ability to pay dividends would be adversely affected. Any funds set aside for vessel replacement will not be available for dividends.

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, 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, for any extended period of time could have an adverse effect on our business and results of operations.

If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash

As of December 31, 2010, Frontline and its subsidiaries employed approximately 70 people in their respective offices in Bermuda, London, Oslo, Singapore and India. We contract with independent ship managers to manage and operate our vessels, including the crewing of those vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

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 include environmental damage and pollution insurance coverage, and war risk insurance. We can give no assurance that we will be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which, may increase our costs or lower our revenue.

Although we do not anticipate any difficulty in having our technical manager initially obtain insurance policies for us, we cannot assure you that we will be able to renew such policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have in the past led to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies may be subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We may be subject to calls because we obtain some of our insurance through protection and indemnity associations

We may be subject to increased premium payments, or calls, if the value of our claim records, the claim records of our fleet managers, and/or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations and financial condition.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a United States corporation may have

We are a Bermuda company. Our memorandum of association and by-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. Under Bermuda law a director generally owes a fiduciary duty only to the company; not to the company's shareholders. Our shareholders may not have a direct course of action against our directors. In addition, Bermuda law does not provide a mechanism for our shareholders to bring a class action lawsuit under Bermuda law. Further, our bye-laws provide for the indemnification of our directors or officers against any liability arising out of any act or omission except for an act or omission constituting fraud, dishonesty or illegality.

United States tax authorities could treat the Company as a "passive foreign investment company," which could have adverse United States federal income tax consequences to United States shareholders

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of

"passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we are, have been or will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering and voyage chartering activities as services income, rather than rental income. Accordingly, we believe that our income from these activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute assets that produce, or are held for the production of, "passive income."

Although there is no direct legal authority under the PFIC rules addressing our method of operation there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or the IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986, as amended, or the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation"), such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our Ordinary Shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our Ordinary Shares. See "Taxation" for a more comprehensive discussion of the United States federal income tax consequences to United States shareholders if we are treated as a PFIC.

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

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We expect that we and each of our subsidiaries will qualify for this statutory tax exemption and we will take this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to United States federal income tax on our United States source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year if shareholders with a five percent or greater interest in the our Ordinary Shares owned, in the aggregate, 50% or more of our outstanding Ordinary Shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, there can be no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we, or our subsidiaries, could be subject during those years to an effective 2% United States federal income tax on gross shipping income derived during such a year that is attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

Our Liberian subsidiaries may not be exempt from Liberian taxation, which would materially reduce our Liberian subsidiaries', and consequently our, net income and cash flow by the amount of the applicable tax

The Republic of Liberia enacted an income tax law generally effective as of January 1, 2001, or the New Act, which repealed, in its entirety, the prior income tax law in effect since 1977, pursuant to which our Liberian subsidiaries, as non-resident domestic corporations, were wholly exempt from Liberian tax.

In 2004, the Liberian Ministry of Finance issued regulations, or the New Regulations, pursuant to which a non-resident domestic corporation engaged in international shipping, such as our Liberian subsidiaries, will not be subject to tax under the New Act retroactive to January 1, 2001. In addition, the Liberian Ministry of Justice issued an opinion that the New Regulations were a valid exercise of the regulatory authority of the Ministry of Finance. Therefore, assuming that the New Regulations are valid, our Liberian subsidiaries will be wholly exempt from tax as under prior law. In 2009, the Liberian Ministry of Finance adopted an Economic Stimulus Act to clarify the tax treatment of non-resident Liberian corporations. Although such Act was signed into law by the President of Liberia it was never formally published, which is a requirement to make it effective. We are still waiting advice from Liberia regarding publication of the 2009 Economic Stimulus Act.

If our Liberian subsidiaries were subject to Liberian income tax under the New Act, our Liberian subsidiaries would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flow would be materially reduced by the amount of the applicable tax. In addition, we, as a shareholder of the Liberian subsidiaries, would be subject to Liberian withholding tax on dividends paid by the Liberian subsidiaries at rates ranging from 15% to 20%.

Because our offices and most of our assets are outside the United States, you may not be able to bring suit against us, or enforce a judgment obtained against us in the United States

Our executive offices, 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.

Investor confidence and the market price of our ordinary shares may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002

We are subject to Section 404 of the Sarbanes-Oxley Act of 2002, which requires us to include in our Annual Report on Form 20-F our management's report on, and assessment of the effectiveness of, our internal controls over financial reporting. In addition, our independent registered public accounting firm is required to attest to and report on management's assessment of the effectiveness of our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls over financial reporting, we will not be in compliance with all of the requirements imposed by Section 404. Any failure to comply with Section 404 could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could harm our business and could negatively impact the market price of our common stock.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Company

We are Frontline Ltd., a Bermuda-based shipping company incorporated in Bermuda as a Bermuda exempted company under the Bermuda Companies Law of 1981 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 and oil/bulk/ore, or OBO, carriers, which are currently configured to carry dry cargo. We operate oil tankers of two sizes: VLCCs, which are between 200,000 and

320,000 dwt, and Suezmaxes, which are vessels between 120,000 and 170,000 dwt. We operate through subsidiaries and partnerships located in the Bahamas, Bermuda, the Cayman Islands, India, the Isle of Man, Liberia, Norway, the United Kingdom and Singapore. 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 Bermuda company, Frontline Ltd, or Old Frontline. In September 1997, Old Frontline initiated an amalgamation with London & Overseas Freighters Limited, or LOF, also a Bermuda company. This process was completed in May 1998. 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.

The ADR program was terminated on October 5, 2001 and the ADSs were de-listed from the NASDAQ National Market on August 3, 2001. The Company's Ordinary Shares began trading on the New York Stock Exchange on August 6, 2001.

Vessel Acquisitions, Disposals and Other Significant Transactions

We entered into the following acquisitions and disposals in 2008, 2009, 2010 and 2011 to date:

Newbuilding and Option Contracts

As of December 31, 2007, we had contracts for the construction of four VLCC newbuildings and eight Suezmax newbuildings. In April 2008, we entered into a contract with Jinhaiwan for the delivery of four VLCC newbuildings. In April 2008, we also secured fixed price options, which were exercised in May 2008, for two similar VLCC newbuildings. As of December 31, 2008, we had contracts for the construction of ten VLCC newbuildings and eight Suezmax newbuildings.

Two of the VLCCs, Front Kathrine and Front Queen, were delivered to us on January 8, 2009 and May 18, 2009, respectively. In the second quarter of 2009, we reached agreements with two shipyards to cancel two VLCC and four Suezmax newbuilding contracts and agreed that the instalments already paid on the cancelled newbuildings be applied to, and set off against, future payments in the remaining newbuildings. In the third quarter of 2009, we reached agreement with Jinhaiwan whereby the financial exposure of $252 million on two VLCC newbuildings could be limited to the $54 million already paid. At December 31, 2009, we had newbuilding contracts for four Suezmaxes and six VLCCs.

During 2010, six newbuildings were completed. Four Suezmax vessels were delivered: the Northia on January 5, the Naticina on March 9, the Front Odin on May 5 and the Front Njord on August 12. Two VLCCs were delivered: the Front Cecilie on June 10 and the Front Signe on August 9. In June 2010, the Company entered into a contract with Rongsheng for the construction of two 156,900 dwt Suezmax newbuildings. The vessels are expected to be delivered in the first and second quarters of 2013. In September 2010, the Company announced that it had agreed with Jinhaiwan to re-structure the Company's VLCC newbuilding program at the yard. The Company agreed to take delivery of the two optional VLCCs at the yard and ordered one additional VLCC newbuilding, resulting in a commitment to take delivery of five 320,000 dwt VLCC newbuildings, with a total contract price of $525 million. As of December 31, 2010, the Company's newbuilding program comprised two Suezmax tankers and five VLCCs, which constitute a contractual cost of $650 million. As of December 31, 2010, the Company has paid $198.6 million and was committed to make further installments of $451.4 million.

Acquisitions and Disposals

In January 2008, Ship Finance sold the single hull vessel Front Maple to a third party and terminated our charter party for the vessel. We received a termination payment of $16.7 million.

In March 2008, we agreed with Ship Finance to terminate the long-term charter party between the companies for the single hull VLCC Front Sabang. Ship Finance simultaneously sold the vessel. We received a compensation payment of approximately $25 million for the early termination of the charter party, which was recognized in the second quarter of 2008 at the time of delivery to the new owners.

In June 2008, we acquired en bloc five secondhand double hull Suezmax tankers built between 1992 and 1996 from Top Ships Inc. for an aggregate purchase price of $240 million. We took delivery of these vessels between June 2008 and September 2008 and assumed existing time charters on three of the vessels. We allocated $247.3 million and a

negative value of $7.3 million to the vessels and time charters, respectively.

In July 2009, we agreed with Ship Finance to terminate the long term charterparty for the single hull VLCC Front Duchess and received a compensation payment of approximately $2.4 million in October 2009.

In February 2010, we purchased the VLCC Front Vista from Ship Finance for $58.5 million. The Front Vista had been chartered in by the Company. Due to the termination of the charter, a compensation fee of $0.4 million was paid to Ship Finance. In March 2010, the Company sold the Front Vista. The sale price of $60.0 million will be settled in the payment of installments over a 10-year period.

In March 2010, we agreed with Ship Finance to terminate the long term charter party for the single hull VLCC Golden River. The termination of the charter took place in April 2010 and Ship Finance made a compensation payment to us of approximately $2.9 million for the early termination of the charter party.

In March 2010, we agreed to sell the single hull Suezmax Front Voyager and delivery to the buyer took place in April 2010.

In April 2010, we agreed to acquire two 2009-built 321,300 dwt double hull VLCC tankers; Callisto Glory and Andromeda Glory from an unrelated third party. The first vessel; renamed Front Eminence, was delivered on May 18, 2010 and the second vessel; renamed Front Endurance, was delivered on June 28, 2010.

In January 2011, we sold the VLCC Front Shanghai for net sale proceeds of $91.2 million. In connection with the sale, we agreed to charter back the vessel from the new owner for approximately two years at a rate of $35,000 per day. Delivery to the new owners took place on January 26, 2011.

In February 2011, we agreed with Ship Finance to terminate the long term charter parties between the companies for the two single hull VLCCs Ticen Sun and Front Ace and Ship Finance simultaneously sold the vessels. The termination of the charter parties took place in February 2011 and March 2011, respectively, and Ship Finance made a compensation payment to the Company of approximately $5.8 million for the early termination of the charter parties.

In March 2011, we exercised our option to acquire the 2002-built VLCC Front Eagle and sold the vessel to an unrelated third party for $67.0 million. In connection with the sale, we agreed to charter back the vessel from the new owner. The duration of the time charter is approximately two years at a rate of $32,500 per day. Delivery to the new owners is expected to take place in the second quarter of 2011.

In April 2011, we agreed with Ship Finance to terminate the long term charter party between the companies for the OBO vessel Front Leader and Ship Finance simultaneously sold the vessel. The termination of the charter party is expected to take place in the second quarter of 2011 and we expect to make a compensation payment to Ship Finance of approximately $7.7 million for the early termination of the charter party.

Charters and Redeliveries

In September 2008, we chartered out the Suezmax OBO carriers Front Guider and Front Viewer for a period of five years with commencement of charter early December 2008 and mid April 2009, respectively.

In November 2008, we chartered out the VLCC Front Energy for a three year period with delivery mid-November 2008 and the VLCC Front Champion for a period of one year with commencement of charter end November 2008.

In early December 2008, we redelivered Cosglory Lake after a total length of the charter party of approximately 3.5 years.

In December 2008, we entered into an agreement with Teekay Corporation to commercially combine their Suezmax tankers within the Gemini Pool, the world's largest Suezmax tanker pool. Our vessels entered the pool between January 8 and February 12, 2009.

In December 2008, we chartered out the Suezmax tanker Front Brabant for a three-year time charter with commencement in January 2009.

In January 2009, we entered into an agreement with Shell to charter out the two double hull Suezmax tankers Genmar Phoenix and Genmar Harriet G. on time charter for the remainder of their existing charters in.

In April 2009, we entered into an agreement with the charterer of Front Lady and Front Highness to amend the time charter agreements to bareboat agreements and extend the contracts for one additional year from the single hull phase-out date in 2010 to around April 2011 and August 2011, respectively. The charterers also assumed the drydocking for Front Lady. The vessels are operated as floating storage units and have ceased to trade as regular tankers. The vessels have been renamed "Ticen Ocean" and "Ticen Sun".

In early November and December 2009, we redelivered four of the five Suezmax tankers chartered in from Eiger. We redelivered the final vessel in February 2010.

In November 2009, we did not exercise the purchase options for Front Chief, Front Commander and Front Crown. We agreed instead to charter in the three vessels on one-year time charters at $29,000 per day.

In November 2009, we entered into an agreement to time charter out the OBO carrier Front Striver for a period of at least five months at a time charter rate of $40,000 per day gross.

In January 2010, we entered into an agreement to charter in the VLCC Desh Ujaala for a one year time charter at net $29,625 per day with one-year option period.

In January 2010, we signed a bareboat charter for the VLCC Edinburgh for a two year period with a two-year option period. The vessel is operated as a floating storage unit and ceased to trade as a regular tanker.

In March 2010 we agreed with Ship Finance to terminate the long-term charter party for the single hull VLCC Golden River. Ship Finance simultaneously sold the vessel to an unrelated third party. The termination of the charter took place in April 2010 and Ship Finance made a compensation payment to Frontline of approximately $2.9 million for the early termination of the charter party.

In June 2010, we received notices from the owners of the two chartered-in 2001-built Suezmax tankers, Front Melody and Front Symphony, and the two chartered-in 2000-built VLCCs, Front Tina and Front Commodore, that the owners exercised their option to extend the charter period for two years to the end of 2013 from the expiry of the mandatory lease period at the end of 2011. The owners have the option to further extend the charter periods until the end of 2015.

In June 2010, the single hull VLCC Front Duke was redelivered from her time charter agreement and subsequently entered into a bareboat charter agreement expiring at the end of 2012. The vessel is operated as a floating storage unit and has ceased to trade as a regular tanker.

With effect from July 1, 2010, we no longer chartered in the 15 Suezmax vessels we were chartering in from Nordic American Tanker Shipping Ltd. ("NATS") on floating rate time charters.

In September 2010, we entered into an agreement to time charter out two VLCCs; Front Eminence for a period of five years commencing November 2010 at a gross rate of $43,000 per day and Golden Victory for a period of three years commencing October 2010 at a gross rate of $40,000 per day. The latter has an option for the charterer to extend for an additional two years at a premium.

In November 2010, we extended the time-charter in agreements of Front Chief, Front Commander and Front Crown (all 1999-built double hull VLCCs); for one year from January 2011 at $26,500 per day per vessel.

In December 2010, the bareboat charter with Chevron Transport Corporation for the VLCC Antares Voyager terminated and the vessel was redelivered to the Company.

In January 2011, the bareboat charter with BP Shipping Limited for the VLCC Pioneer (previously British Pioneer) terminated and the vessel was redelivered to the Company.

In January 2011, the chartered-in VLCC Desh Ujaala was re-delivered to the owners and the British Pioneer was redelivered to the Company following the termination of the bareboat charter by BP.

Establishment and Spin-Off of Sealift Ltd

In January 2007, we established a separate entity named Sealift Ltd, or Sealift, to develop our heavy lift business. Sealift completed a private placement in the amount of $180.0 million and its shares were listed on the Norwegian over-the-counter (OTC) market in January 2007. We invested $60.0 million in the company and, following the initial private placement in January, we became a 33.3% shareholder. Sealift acquired four single-hull Suezmax vessels from us, which we were obligated to convert to heavy lift vessels for $100.0 million each. Sealift also acquired two Suezmax vessels from us for $38.0 million each and option contracts with a shipyard to convert these two additional Suezmax vessels into heavy lift vessels. The total consideration for all six vessels acquired by Sealift is $476.0 million, of which $396.0 million was received in cash and $80.0 million in an interest free seller's credit. $40.0 million of the interest free seller's credit was payable on the delivery of each of the final two converted vessels. Five of the vessels sold to Sealift were first acquired by Frontline from Ship Finance. We delivered the converted heavy lift vessels to Sealift in May and December 2007 and May and July 2008. The $80.0 million interest-free seller's credit was paid in July 2008 and we recorded a gain of $91.0 million in 2008 relating to the delivery of the converted heavylift vessels. We incurred net damages of $1.2 million with respect to the late delivery of the fourth and final converted heavylift vessel.

In May 2007, Sealift completed a reorganization with the Dockwise group of companies. As part of the transaction, Sealift completed a private placement of 39.8 million shares of which we purchased five million shares. Sealift also issued 94.1 million shares to the former Dockwise Ltd, or Dockwise, shareholders. Sealift was renamed Dockwise Ltd in July 2007. In October 2007, we sold our entire shareholding of 34,976,500 shares in Dockwise.

Establishment and spin-off of Independent Tankers Corporation Limited

In January 2008, we established Independent Tankers Corporation Limited, or ITCL, a Bermuda company and our wholly-owned subsidiary for the purpose of holding, by way of contribution, our interests in Independent Tankers Corporation, or ITC. ITC owns or leases six VLCC and four Suezmax tankers, which are financed through bonds in the U.S. market and financial lease arrangements. On February 20, 2008, our Board declared the distribution of a special dividend of 17.53% of the capital stock of ITCL to our shareholders. On February 28, 2008, we distributed to our shareholders one share of ITCL for every five shares of Frontline. Certain of our U.S. shareholders were excluded from the distribution and received a cash payment in lieu of shares equal to $0.34 per Frontline share. ITCL listed its shares on the Oslo OTC Market on March 7, 2008.

B. BUSINESS OVERVIEW

As of December 31, 2010, our tanker and OBO fleet consisted of 73 vessels. The fleet consists of 44 VLCCs, which are either owned or chartered in, 21 Suezmax tankers which are either owned or chartered in and eight Suezmax OBOs which are chartered in. We also had five VLCC newbuildings and two Suezmax newbuildings on order and three VLCCs under our commercial management.

We operate in two markets, the tanker and drybulk carrier markets, as an international provider of seaborne transportation of crude oil and drybulk cargoes. An analysis of revenues from these services is as follows:

(in thousands of $)	2010	2009	2008
Total operating revenues – tanker market	1,023,733	989,773	1,955,427
Total operating revenues – drybulk carrier market	136,912	124,983	130,228

Our vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful.

As of December 31, 2010, the tanker fleet that we operate has a total tonnage of approximately 17.6 million dwt, including the 0.9 million dwt under commercial management, and the drybulk fleet that we operate has a total tonnage of approximately 1.4 million dwt. Our tanker vessels have an average age of approximately 11 years compared with an estimated industry average of approximately 9 years, and our OBO vessels have an average age of approximately 20 years compared with an estimated industry average of approximately 22 years. We believe that our vessels comply with the most stringent of generally applicable environmental regulations for tankers and OBO vessels.

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 that may be affected by changes in foreign governments and other economic and political conditions. We are engaged primarily in transporting crude oil and, in addition, raw materials like coal and iron ore and our vessels operate in the spot and time charter markets. 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, Middle East and Southeast Asia.

In December 2008, Teekay Corporation, or Teekay, and the Company announced an agreement to commercially combine their Suezmax vessels within the Gemini Pool, a global Suezmax tanker pool. Effective from January 1, 2009, we placed our Suezmax vessels within the Gemini Pool, bringing the total number of vessels in the pool to 36. Gemini Tankers LLC, a wholly-owned subsidiary of Teekay, has established an office in Oslo, Norway to, among other things, manage the larger fleet and establish a chartering presence in Europe to supplement its existing operations in Stamford, Connecticut. We expect to improve the utilization on our fleet and to reduce the cost basis by entering a large pool. In addition to the Company and Teekay, NATS, König & Cie and Hyundai Merchant Marine also participate in the Gemini Pool.

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. Currently, our eight Suezmax OBOs are configured to carry dry bulk cargo and are fixed on medium- to long-term charters.

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.

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. Refer to Item 5 "Operating and Financial Review and Prospects" for a discussion of the tanker market in 2010 and 2011.

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, and Frontline Management (Bermuda)

Limited which we refer to as Frontline Management, both wholly-owned subsidiaries, 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 of our vessels is registered under the Bahamas, French, Liberian, Panamanian, Cypriot, Singaporean, Norwegian, Isle of Man, Marshall Islands, Hong Kong or Maltese 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, Ukrainian, Croatian, Romanian, Indian and Filipino officers and crews, or combinations of these nationalities. Accounting services for each of our ship-owning subsidiaries are also provided by the ship managers.

Frontline decided in August 2009 to establish a ship management company in Singapore. The new company, Sea Team Management Pte. Ltd., is a complement to the external ship management companies currently offering services to Frontline and is not a change in the Company's outsourcing strategy. However, we would like to strengthen our position towards our service providers to enhance and secure delivery of high quality service at low cost in the future. Sea Team Management Pte Ltd. was certified and received its ISM Document of Compliance by Det Norske Veritas on February 3, 2010 and is as such an approved ship management company. In addition a crewing company was formally opened in Chennai, India, on January 17, 2010.

Our principal executive offices are located at Par-la-Ville Place, 14 Par-la-Ville Road in Hamilton, Bermuda.

Strategy

Our strategy is to maintain and expand our position as a world-leading operator and charterer of modern, high quality oil tankers. Our principal focus is the transportation of crude oil and its related refined dirty petroleum cargoes for major oil companies and major oil trading companies. We seek to optimize our income and adjust our exposure through actively pursuing charter opportunities whether through time charters, bareboat charters, sale and leasebacks, straight sales and purchases of vessels, newbuilding contracts and acquisitions.

We presently operate VLCC and Suezmax vessels in the tanker market and OBO vessels in the dry cargo market. Our strategy is to have at least 30% fixed charter income coverage for our fleet, predominantly through time charters, and trade the balance of the fleet on the spot market. We focus on minimizing time spent on ballast by "cross trading" our vessels, typically with voyages loading in the Persian Gulf discharging in Northern Europe, followed by a trans-Atlantic voyage to the U.S. Gulf of Mexico and, finally, a voyage from either the Caribbean or West Africa to the Far East/Indian Ocean. We believe that operating a certain number of vessels in the spot market, enables us to capitalize on a potential stronger spot market as well as to serve our main customers on a regular non term basis. We believe that the size of our fleet is important in negotiating terms with our major clients and charterers. We also believe that our large, high-quality VLCC and Suezmax fleet enhances our ability to obtain competitive terms from suppliers and ship repairers and builders and to produce cost savings in chartering and operations.

Our business strategy is primarily based upon the following principles:

- emphasizing operational safety and quality maintenance for all of our vessels;
- complying with all current and proposed environmental regulations;
- outsourcing technical operations and crewing;
- continuing to achieve competitive operational costs;
- operating a modern and homogeneous fleet of tankers;

- achieving high utilization of our vessels;
- achieving competitive financing arrangements;
- achieving a satisfactory mix of term charters, contracts of affreightment and spot voyages; and

- developing and maintaining relationships with major oil companies and industrial charterers.

We have newbuilding contracts for five VLCCs and two Suezmax vessels as of April 4, 2011.

We continue to evaluate opportunities in the time charter market. On the basis of the strength of the drybulk market when the vessels became available, all of our eight OBO carriers have been fixed on medium- to long-term charters at an average daily rate of approximately $47,000 and $48,000 in 2010 and 2011, respectively. As of December 31, 2010, approximately 22% of our operating days for our total fleet for 2011 were on fixed time charter and bareboat charter, excluding the vessels in ITCL.

Although there has been a trend towards consolidation over the past 15 years, the tanker market remains highly fragmented. We estimate, based on available industry data that we currently own or operate approximately 8% of the world VLCC fleet and 5% of the world Suezmax tanker fleet. We intend to use our operational cash flow together with our available financing to continue the consolidation of the tanker market. We always look for attractive investments and acquisitions and will finance such investments through a combination of debt and equity. Our role in the consolidation of the tanker market may include the acquisition of new vessels and second-hand vessels and we may also engage in business acquisitions and strategic transactions such as marketing joint ventures. In the ordinary course of our business, we engage in the evaluation of potential candidates for acquisitions and strategic transactions.

Our goal is to generate competitive returns for our shareholders with quarterly dividend payments. Our dividend payments are based on present earnings, market prospects, current capital expenditure programs as well as investment opportunities.

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, has become 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. Most apparent is a higher seasonal demand during the summer months due to energy requirements for air conditioning and motor vehicles.

The dry bulk trade also has a history of tracking seasonal demand fluctuations, but like the oil trade, appears to have become less dependent on such fluctuations as a result of the increased transportation of certain dry bulk commodities. Grain has traditionally had the greatest impact on the dry bulk market, particularly during the peak demand seasons, which occur during the second quarter in the Southern Hemisphere and at the end of the third quarter and throughout the fourth quarter in the Northern Hemisphere. The growth of iron ore and coal transportation over the last decade, however, has diminished the relative importance of grain to the dry bulk transportation industry. With the quarterly pricing of iron ore affecting its demand and factors such as weather and port congestion impacting the dry bulk industry as a whole, the volatility of dry bulk earnings in recent years appears to be the result of factors other than seasonality.

Customers

During the year ended December 31, 2010, we reported total revenue from one customer of $244 million, which represented approximately 21% of consolidated operating revenues (2009: one customer, which represented approximately 22% and 2008: one customer, which represented approximately 20%). This was the same customer in each year. No other customers represent more than 10% of consolidated operating revenues for the periods presented.

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 ship-owner 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 us, 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. Charters are, to a large extent, brokered through international independent brokerage houses that specialize in finding the optimal ship for any particular cargo based on the aforementioned criteria. Brokers may be appointed by the cargo shipper or the ship owner.

Environmental and Other Regulations

Government regulations and laws significantly affect the ownership and operation of our vessels. We are subject to international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered and compliance with such laws, regulations and other requirements may entail significant expense.

Our vessels are subject to both scheduled and unscheduled inspections by a variety of government, quasi-governmental and private organizations including local port authorities, national authorities, harbor masters or equivalent, classification societies, flag state administrations (countries of registry) and charterers. Our failure to maintain permits, licenses, certificates or other approvals required by some of these entities could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations; however, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact, such as the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by ships or the IMO, has adopted several international conventions that regulate the international shipping industry, including the International Convention on Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention for the Prevention of Pollution from Ships, or the MARPOL Convention. The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms.

The operation of our vessels is also affected by the requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO under the International Convention for the Safety of Life at Sea, or SOLAS. The ISM Code requires the party with operational control of a vessel to develop an extensive 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. We intend to rely upon the safety management system that our appointed ship managers have developed.

In December 2003, the Marine Environmental Protection Committee of the IMO, or MEPC, adopted an amendment to the MARPOL Convention, which became effective in April 2005. The amendment revised an existing regulation 13G accelerating the phase-out of single hull oil tankers and adopted a new regulation 13H on the prevention of oil pollution from oil tankers when carrying heavy grade oil. Under the revised regulation, single hull oil tankers were required to be phased out no later than April 5, 2005 or the anniversary of the date of delivery of the ship on the date or in the year specified in the following table:

28

Category of Oil Tankers	Date or Year for Phase Out
Category 1 oil tankers of 20,000 dwt and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 dwt and above carrying other oils, which do not comply with the requirements for protectively located segregated ballast tanks	April 5, 2005 for ships delivered on April 5, 1982 or earlier; or 2005 for ships delivered after April 5, 1982
Category 2 - oil tankers of 20,000 dwt and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 dwt and above carrying other oils, which do comply with the protectively located segregated ballast tank requirements and Category 3 - oil tankers of 5,000 dwt and above but less than the tonnage specified for Category 1 and 2 tankers.	April 5, 2005 for ships delivered on April 5, 1977 or earlier 2005 for ships delivered after April 5, 1977 but before January 1, 1978 2006 for ships delivered in 1978 and 1979 2007 for ships delivered in 1980 and 1981 2008 for ships delivered in 1982 2009 for ships delivered in 1983 2010 for ships delivered in 1984 or later

Under the revised regulations, a flag state may permit continued operation of certain Category 2 or 3 tankers beyond their phase-out date in accordance with the above schedule. Under regulation 13G, the flag state may allow for some newer single hull oil tankers registered in its country that conform to certain technical specifications to continue operating until the earlier of the anniversary of the date of delivery of the vessel in 2015 or the 25th anniversary of their delivery. Under regulations 13G and 13H, as described below, certain Category 2 and 3 tankers fitted only with double bottoms or double sides may be allowed by the flag state to continue operations until their 25th anniversary of delivery. Any port state, however, may deny entry of those single hull oil tankers that are allowed to operate under any of the flag state exemptions.

The following table summarizes the impact of such regulations on the Company's single hull (SH) and double sided (DS) tankers:

Vessel Name	Vessel type	Vessel Category	Year Built	IMO phase out	Flag state Exemption
Titan Aries (ex-Edinburgh)	VLCC	DS	1993	2018	n/a
Front Ace (1)	VLCC	SH	1993	2010	2015
Titan Orion (ex-Front Duke)	VLCC	SH	1992	2010	2015
Ticen Sun	VLCC	SH	1991	2010	2015
Ticen Ocean	VLCC	SH	1991	2010	2015

(1) Agreement reached in February 2011 regarding termination of the lease. Termination occurred in March 2011.

In December 2003, the MEPC adopted a new regulation 13H on the prevention of oil pollution from oil tankers when carrying heavy grade oil, or HGO, which includes most of the grades of marine fuel. The new regulation bans the

carriage of HGO in single hull oil tankers of 5,000 dwt and above after April 5, 2005, and in single hull oil tankers of 600 dwt and above but less than 5,000 dwt, no later than the anniversary of their delivery in 2008.

Under regulation 13H, HGO means any of the following:

- crude oils having a density at 15 C higher than 900 kg/m3;
- fuel oils having either a density at 15 C higher than 900 kg/m3 or a kinematic viscosity at 50ºC higher than 180 mm2/s; or
- bitumen, tar and their emulsions.

Under the regulation 13H, the flag state may allow continued operation of oil tankers of 5,000 dwt and above, carrying crude oil with a density at 15 C higher than 900 kg/m3 but lower than 945 kg/m3, that conform to certain technical specifications and, in the opinion of the such flag state, the ship is fit to continue such operation, having regard to the size, age, operational area and structural conditions of the ship and provided that the continued operation shall not go beyond the date on which the ship reaches 25 years after the date of its delivery. The flag state may also allow continued operation of a single hull oil tanker of 600 dwt and above but less than 5,000 dwt, carrying HGO as cargo, if, in the opinion of the such flag state, the ship is fit to continue such operation, having regard to the size, age, operational area and structural conditions of the ship, provided that the operation shall not go beyond the date on which the ship reaches 25 years after the date of its delivery.

The flag state may also exempt an oil tanker of 600 dwt and above carrying HGO as cargo if the ship is either engaged in voyages exclusively within an area under its jurisdiction, or is engaged in voyages exclusively within an area under the jurisdiction of another party, provided the party within whose jurisdiction the ship will be operating agrees. The same applies to vessels operating as floating storage units of HGO.

Any port state, however, can deny entry of single hull tankers carrying HGO which have been allowed to continue operation under the exemptions mentioned above, into the ports or offshore terminals under its jurisdiction, or deny ship-to-ship transfer of HGO in areas under its jurisdiction except when this is necessary for the purpose of securing the safety of a ship or saving life at sea.

Noncompliance with the ISM Code or with other IMO regulations may subject a shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports including United States and European Union Ports.

United States

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990, or OPA, is 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 United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the United States. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, imposes liability for cleanup and natural resource damage from the release of hazardous substances (other than oil) whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat charterers are responsible parties who are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from oil spills from their vessels. OPA limits the liability of responsible parties with respect to tankers over 3,000 gross tons to the greater of $3,200 per gross tons or $23.496 million per single hull tanker, and $2,000 per gross ton or $17.088 million per double hull tanker, respectively, and permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries. Some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, however, in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5.0 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $0.5 million for any other vessel.

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 willful misconduct. These limits also do not apply if the responsible party fails or refuses to report the incident or to cooperate 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 call.

OPA also requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under the act. 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 is required to 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 strict liability under OPA and CERCLA. We have provided such evidence and received certificates of financial responsibility from the U.S. Coast Guard for each of our vessels required to have one.

Other U.S. Environmental Initiatives

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. Furthermore, most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

At the international level, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the BWM Convention. The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. The Convention has not yet entered into force because a sufficient number of states have failed to adopt it. However, the IMO's Marine Environment Protection Committee passed a resolution in March 2010 encouraging the ratification of the Convention and calling upon those countries that have already ratified to encourage the installation of ballast water management systems. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

European Union

The European Union has adopted legislation that would: (1) ban manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in a six month period) from European waters and create an obligation of port states to inspect vessels posing a high risk to maritime safety or the marine environment; and (2) provide the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies. In addition, European Union

regulations enacted in 2003 now prohibit all single hull tankers from entering into its ports or offshore terminals

Greenhouse Gas Regulation

The IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, the U.S. or other countries where we operate that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security including the U.S. Maritime Transportation Security Act of 2002, or MTSA, amendments to SOLAS and a requirement that any vessel trading internationally obtain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. We believe that our fleet is currently in compliance with applicable security requirements.

Inspection by Classification Societies

Every oceangoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in-class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in-class" by a classification society which is a member of the International Association of Classification Societies. All our vessels are certified as being "in-class" by a recognized classification society.

Risk of Loss and Insurance

The operation of any ocean-going vessel carries an inherent risk of catastrophic marine disasters and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism and other circumstances or events. In addition, the transportation of crude oil is subject to the risk of spills, and business interruptions due to political circumstances in foreign countries, hostilities, labor strikes and boycotts. OPA has made liability insurance more expensive for ship owners and operators imposing potentially unlimited liability upon owners, operators and bareboat charterers for oil pollution incidents in the territorial waters of the United States. We believe that our current insurance coverage is adequate to protect us against the principal accident-related risks that we face in the conduct of our business.

Our protection and indemnity insurance, or P&I insurance, covers third-party liabilities and other related expenses from, among other things, injury or death of crew, passengers and other third parties, claims arising from collisions, damage to cargo and other third-party property and pollution arising from oil or other substances. Our current P&I insurance coverage for pollution is the maximum commercially available amount of $1.0 billion per tanker per incident and is provided by mutual protection and indemnity associations. Each of the vessels currently in our fleet is entered in a protection and indemnity association which is a member of the International Group of Protection and Indemnity Mutual Assurance Associations. The 13 protection and indemnity associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each protection and indemnity association has capped its exposure to this pooling agreement at approximately $7.0 billion currently. As a member of protection and indemnity associations, which are, in turn, members of the International Group, we are subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations and members of the pool of protection and indemnity associations comprising the International Group.

Our hull and machinery insurance covers actual or constructive total loss from covered risks of collision, fire, heavy weather, grounding and engine failure or damages from same. Our war risks insurance covers risks of confiscation, seizure, capture, vandalism, sabotage and other war-related risks. Our loss-of-hire insurance covers loss of revenue at

$23,000 per day for Suezmaxes and $30,000 per day for VLCCs for not less than 90 days resulting from an accident covered by the terms of our hull and machinery insurance for each of our vessels, with a fourteen day deductible for OBO vessels and a 60 day deductible for all other Suezmaxes and VLCCs.

C. ORGANIZATIONAL STRUCTURE

See Exhibit 8.1 for a list of our significant subsidiaries.

D. PROPERTY, PLANTS AND EQUIPMENT

The Company's Vessels

The following table sets forth the fleet that we operated as of December 31, 2010 (including contracted newbuildings not yet delivered):

Vessel	Built	Approximate Dwt.	Construction	Flag	Type of Employment
Tonnage Owned Directly					
VLCCs					
Antares Voyager	1998	310,000	Double-hull	BA	Spot market
Phoenix Voyager	1999	308,500	Double-hull	BA	Bareboat charter
British Pioneer	1999	307,000	Double-hull	IoM	Bareboat charter
British Progress	2000	307,000	Double-hull	IoM	Bareboat charter
British Purpose	2000	307,000	Double-hull	IoM	Bareboat charter
Front Shanghai (1)	2006	298,500	Double-hull	HK	Spot market
Front Kathrine	2009	297,974	Double-hull	MI	Spot market
Front Queen	2009	297,000	Double-hull	MI	Time charter
Front Eminence	2009	321,300	Double-hull	MI	Time charter
Front Endurance	2009	321,300	Double-hull	MI	Spot market
Front Cecilie	2010	297,000	Double-hull	HK	Spot market
Front Signe	2010	297,000	Double-hull	HK	Spot market
Hull J0025 (Newbuilding)	2011	320,000	Double-hull	n/a	n/a
Hull J0026 (Newbuilding)	2011	320,000	Double-hull	n/a	n/a
Hull J0027 (Newbuilding)	2012	320,000	Double-hull	n/a	n/a
Hull J0028 (Newbuilding)	2012	320,000	Double-hull	n/a	n/a
Hull J0106 (Newbuilding)	2013	320,000	Double-hull	n/a	n/a
Suezmax Tankers					
Front Fighter	1994	147,048	Double-hull	MI	Spot market
Front Hunter	1996	146,286	Double-hull	MI	Spot market
Front Alfa	1993	150,038	Double-hull	MI	Spot market

Front Beta	1992	135,915	Double-hull	MI	Spot market
Front Delta	1993	136,055	Double-hull	MI	Spot market
Northia	2010	156,000	Double-hull	MI	Time charter
Naticina	2010	156,000	Double-hull	MI	Time charter
Front Odin	2010	156,000	Double-hull	MI	Spot market
Front Njord	2010	156,000	Double-hull	HK	Spot market
Cygnus Voyager	1993	157,000	Double-hull	BA	Bareboat charter
Altair Voyager	1993	136,000	Double-hull	BA	Bareboat charter
Sirius Voyager	1994	156,000	Double-hull	BA	Bareboat charter
Hull 1161 (Newbuilding)	2013	157,000	Double-hull	n/a	n/a
Hull 1162 (Newbuilding)	2013	157,000	Double-hull	n/a	n/a

Tonnage Chartered in from Ship Finance

VLCCs					
Ticen Sun (2)	1991	284,000	Single-hull	SG	Bareboat charter
Ticen Ocean	1991	284,000	Single-hull	PAN	Bareboat charter
Titan Orion (ex-Front Duke)	1992	284,000	Single-hull	SG	Bareboat charter
Titan Aries (ex-Edinburgh)	1993	302,000	Double-side	LIB	Bareboat charter
Front Ace (2)	1993	276,000	Single-hull	LIB	Time charter

Front Vanguard	1998	300,000	Double-hull	MI	Spot market
Front Century	1998	311,000	Double-hull	MI	Spot market
Front Champion	1998	311,000	Double-hull	BA	Spot market
Ovatella (ex-Front Comanche)	1999	300,000	Double-hull	FRA	Time charter
Golden Victory	1999	300,000	Double-hull	MI	Time charter
Front Circassia	1999	306,000	Double-hull	MI	Spot market
Front Opalia	1999	302,000	Double-hull	MI	Spot market
Ocana	1999	300,000	Double-hull	IoM	Time charter
Front Scilla	2000	303,000	Double-hull	MI	Spot market
Oliva	2001	299,000	Double-hull	IoM	Time charter
Front Serenade	2002	299,000	Double-hull	LIB	Time charter
Otina	2002	298,000	Double-hull	IoM	Time charter
Ondina	2002	299,000	Double-hull	IoM	Time charter
Front Falcon	2002	309,000	Double-hull	BA	Spot market
Front Page	2002	299,000	Double-hull	LIB	Time charter
Front Energy	2004	305,000	Double-hull	CYP	Time charter
Onoba (ex-Front Force)	2004	305,000	Double-hull	CYP	Time charter
Suezmax OBO Carriers					
Front Breaker	1991	169,000	Double-hull	MI	Time charter
Front Climber	1991	169,000	Double-hull	SG	Time charter
Front Driver	1991	169,000	Double-hull	MI	Time charter
Front Guider	1991	169,000	Double-hull	SG	Time charter
Front Leader (3)	1991	169,000	Double-hull	SG	Time charter
Front Rider	1992	169,000	Double-hull	SG	Time charter
Front Striver	1992	169,000	Double-hull	SG	Time charter
Front Viewer	1992	169,000	Double-hull	SG	Time charter
Suezmax Tankers					
Front Pride	1993	150,000	Double-hull	MI	Spot market
Front Glory	1995	150,000	Double-hull	MI	Spot market
Front Splendour	1995	150,000	Double-hull	MI	Spot market
Front Ardenne	1997	150,000	Double-hull	MI	Spot market
Front Brabant	1998	150,000	Double-hull	MI	Time charter
Mindanao	1998	150,000	Double-hull	SG	Time charter
Tonnage Chartered in from Third Parties					
VLCCs					
Front Chief	1999	311,000	Double-hull	BA	Spot market
Front Commander	1999	311,000	Double-hull	BA	Spot market
Front Crown	1999	311,000	Double-hull	BA	Spot market
British Pride	2000	307,000	Double-hull	IoM	Bareboat charter
Front Tina	2000	299,000	Double-hull	LIB	Spot market
Front Commodore	2000	299,000	Double-hull	LIB	Spot charter

Front Eagle (4)	2002	309,000	Double-hull	BA	Spot market
Hampstead	1996	298,000	Double-hull	IoM	Spot market
Kensington	1995	298,000	Double-hull	IoM	Spot market
Desh Ujaala (5)	2005	316,217	Double-hull	India	Spot market
Suezmax Tankers					
Front Warrior	1998	153,000	Double-hull	BA	Spot market
Front Melody	2001	150,000	Double-hull	LIB	Spot market
Front Symphony	2001	150,000	Double-hull	LIB	Spot charter

Tonnage under
Commercial Management

VLCCs					
Saga Chelsea	1995	298,432	Double-hull	MI	Spot market
Saga Julie	2000	299,089	Double-hull	MI	Spot market
Saga Unity	2000	300,000	Double-hull	MI	Spot market

(1) Vessel was sold in January 2011 and chartered back in for approximately two years. The vessel was renamed Gulf Eyadah and changed to the Panama flag.
(2) Agreement reached in February 2011 regarding termination of the lease. Termination occurred in March 2011.
(3) Agreement reached in April 2011 regarding termination of the lease. Termination is expected to occur in the second quarter of 2011.
(4) Vessel was acquired in March 2011 when our purchase option was exercised and simultaneously sold. Delivery to the new buyer is expected to take place in the second quarter of 2011.
(5) Vessel was redelivered in January 2011.

Our chartered in fleet is contracted to us under leasing arrangements with fixed terms of between seven and twenty-three years. Lessors have options to extend six of these leases by up to an additional five years from expiry of the initial fixed term. We have fixed purchase price options to buy six of these vessels at certain future dates and the lessors have fixed options to sell six of these vessels to us at the end of the lease period. Four of the lease agreements may not be terminated by us without the agreement of the end-user of the vessel.

Key to Flags:

BA – Bahamas, IoM – Isle of Man, LIB - Liberia, MAL – Malta, NIS - Norwegian International Ship Register, PAN – Panama, SG - Singapore, FRA – France, MI – Marshall Islands, CYP – Cyprus, HK – Hong Kong.

Other than our 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 AS leases office space, at market rates, in Oslo, Norway from Bryggegata AS, a company indirectly affiliated with Hemen, our principal shareholder.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5.   OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

The following discussion should be read in conjunction with Item 3 "Selected Financial Data", Item 4 "Information on the Company" and our audited Consolidated Financial Statements and Notes thereto included herein.

As of December 31, 2010, our tanker and OBO fleet consisted of 73 vessels. The fleet consists of 44 VLCCs which are either owned or chartered in, 21 Suezmax tankers which are either owned or chartered in and eight Suezmax OBOs which are chartered in. We also had five VLCC newbuildings and two Suezmax newbuildings on order and three VLCCs under our commercial management.

A full fleet list is provided in Item 4.D. "Information on the Company" showing the vessels that we currently own and charter in.

Fleet Changes

Refer to Item 4 for discussion on acquisitions and disposals of vessels. A summary of our fleet changes for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
VLCCs			
At start of period	41	40	42
Acquisitions	4	2	—
Dispositions	(2)	(1)	(2)
Chartered In	1	—	—
At end of period	44	41	40
Suezmax			
At start of period	27	29	16
Acquisitions	4	—	5
Dispositions	(1)	—	(3)
Chartered In	(9)	(2)	11
At end of period	21	27	29
Suezmax OBOs			
At start and end of period	8	8	8
Total fleet			
At start of period	76	77	66
Acquisitions	8	2	5
Dispositions	(3)	(1)	(5)
Chartered In	(8)	(2)	11
At end of period	73	76	77

Summary of Fleet Employment

As discussed below, our vessels are operated under time charters, bareboat charters, voyage charters, pool arrangements and COAs.

	As of December 31,					
	2010		2009		2008	
	Number of vessels	Percentage of fleet	Number of vessels	Percentage of fleet	Number of vessels	Percentage of fleet
VLCCs						
Spot or pool	22	50%	15	37%	15	38%
Time charter	13	30%	14	34%	15	38%
Bareboat charter	9	20%	12	29%	10	25%
Total	44	100%	41	100%	40	100%
Suezmax						
Spot or pool	15	72%	19	70%	21	73%
Time charter	3	14%	5	19%	5	17%
Bareboat charter	3	14%	3	11%	3	10%
Total	21	100%	27	100%	29	100%
Suezmax OBOs						
Time charter	8	100%	8	100%	8	100%
Total	8	100%	8	100%	8	100%

Total fleet						
Spot or pool	37	51%	34	45%	36	47%
Time charter	24	33%	27	35%	28	36%
Bareboat charter	12	16%	15	20%	13	17%
Total	73	100%	76	100%	77	100%

Market Overview and Trend Information

Tanker Market

According to industry sources, the average TCE rate for a modern VLCC was $42,500 per day in 2010. The tanker market in 2010 was characterized by a strong first half and a weak second half. Storage activities and delays in the newbuilding delivery schedule contributed positively to the first half of the year and the year started rather strongly with average earnings of $60,000 per day in the first quarter and $58,000 per day in the second quarter. The second half of the year returned lower earnings per day mostly due to the lack of vessels being used as floating storage and the high availability of tonnage. Consequently the average TCE for the third and the fourth quarter was $26,000 and $27,500 per day respectively.

The removal of single hulled vessels throughout the year was modest and below most expectations. However, due to their trading restrictions interference with the more modern tonnage was rather limited. Furthermore, a large increase in world oil demand helped the continued growth throughout the year of the seaborne oil trade. Industry sources indicate a 4% growth in the volume of seaborne oil trade and a 3% increase in transport distances. China maintained its imports from West Africa, and thus continues to be one of the most important participants to the large tanker market and a main contributor to what industry sources estimate was a 7% ton-mile increase in 2010.

The VLCC fleet increased by approximately 7.5% in 2010 to 548 vessels. Throughout the year, a total of 55 new vessels were delivered to owners and 51 new orders were placed. The total order book consisted of 185 vessels at the end of the year, representing 34% of the existing fleet.

Throughout 2011, it is estimated that 79 new VLCCs will enter the market, including 25 in the first quarter. In 2010 industry sources expected that 67 VLCCs would be delivered, however only 55 were actually delivered. This resulted in 19% slippage for the year and the trend is expected to continue throughout 2011. Furthermore, there are still single hull vessels trading actively. The phase out program has not yet been completed and the fleet counted 43 non-double hull VLCCs at the end of 2010. Not all of these vessels are trading actively and it is likely that the majority will be either sold for scrap, demolished or converted by the end of 2011.

The Suezmax fleet increased by approximately 6.5% in 2010 to 409 vessels. Throughout 2010, a total of 37 new vessels were delivered to owners and 59 new orders were placed. The total order book consisted of 147 vessels at the end of 2010, representing 36% of the existing fleet.

Throughout 2011, it is estimated that 62 new Suezmaxes will enter the market, including 24 in the first quarter. In 2010, industry sources expected that 61 Suezmaxes would be delivered, while only 37 were delivered. This resulted in 39% slippage for the year and the trend is expected to continue throughout 2011. Furthermore, there are still single hull vessels trading actively. The phase out program has not yet been completed and the fleet counted 14 non-double hull Suezmaxes at the end of 2010. Not all of them are trading actively and it is likely that the majority will be either sold for scrap, demolished or converted by the end of 2011.

According to the February 2011 report from the International Energy Agency, or "IEA", average OPEC production is estimated at 29.2 million barrels per day in 2010. The expected 2011 OPEC production output figure has not yet been published by the IEA. However, the IEA estimates a production figure of about 29.9 million barrels per day for January 2011, which is approximately 800.000 barrels per day more compared to the production output in January 2010.

The IEA further estimates that the average world oil demand was 87.8 million barrels per day in 2010, which represents an increase of 3.3% or 2.85 million barrels per day from 2009. For 2011, the world oil demand is estimated

at 89.3 million barrels per day, representing an increase of 1.7% or 1.46 million barrels per day from 2010.

The bunker (vessel fuel oil) market followed movements in the oil market closely in 2010. The average bunker price in Fujairah was approximately $465/mt in 2010, which represents an increase of $95/mt from 2009. The prices ranged from a low of $422/mt at the beginning of July to a high of $512/mt at the end of December.

According to the 'World Economic Outlook - Update' published by The International Monetary Fund, or "IMF", in January 2011, World Output, or GDP, increased 5 % in 2010, which was a substantial upward shift compared to the 2009 -0.6% growth. For 2011 and 2012 the IMF forecasts World GDP growth of 4.4% and 4.5%, respectively.

Drybulk Market

In spite of a net fleet growth of 76 million dwt or 14% of the existing fleet and slightly lower iron ore imports to China, average earnings for the entire fleet were generally at the same level as for 2009. But there were big differences in earnings between the sizes which reflect the influx of newbuildings. As many as 205 Capesize vessels were delivered in 2010 or a net fleet growth of 23%, while the Handysize segment in comparison had a net fleet growth of 8%. In combination with lower volumes of long haul shipments of iron ore from Brazil to Asia, the charter rates for Capesize vessels declined and from time to time they earned less than the smaller sizes.

Outside the normal supply and demand balance there are a few reasons why the utilization of the dry bulk fleet was well supported.

- Chinese coastal trade is growing fast and may account for as much as 6% of total dry bulk trade
- Waiting time at load and discharge ports was tying up between 5 and 9% of the total fleet during 2010.
- There was inefficient utilization of the fleet due to the fact that a continuously larger portion of the dry bulk fleet discharges in Asia and must sail without cargo back to loading areas in the Western hemisphere. In addition piracy in Gulf of Aden and Indian Ocean is adding waiting time for military convoys, slower steaming during convoy passages and deviations in general.

As reported by the Baltic Exchange, the average time charter earnings for a Panamax vessel was $18,203 per day during the fourth quarter of 2010 and average time charter earnings for a Capesize vessel was $34,424 per day for the same period.

The total dry bulk fleet grew by 15.7% year on year during fourth quarter 2010 and 3.8% compared to the previous quarter. There is a substantial gap between the official order book and what is actually being delivered. About 67% of the official order book was delivered during 2010.

Furthermore, the IMF reported a U.S. GDP increase of 2.8% for 2010, which was an upward shift from the 2009 decrease of 2.6%. For 2011 and 2012 the IMF forecasts a U.S. GDP increase of 3% and 2.7% respectively.

Germany, France, Italy and Spain in Europe and Japan experienced an increase in GDP for 2010 of 1.8% and 4.3%, respectively, and these countries are also forecast to report GDP growth for both 2011 and 2012.

The emerging and developing economies increased their GDP by 7.1% for 2010, compared with a growth of 2.6% for 2009. For 2011 and 2012 the IMF forecasts a continued increase in GDP of 6.5% for both years.

China yet again surpassed massive growth in GDP experienced in past years and according to the IMF, GDP increased by 10.3% in 2010, which was 1.1% higher as compared with 2009. For 2011 and 2012, the forecast is slightly lower with expected growth of 9.6% and 9.5%, respectively.

Critical Accounting Policies and Estimates

The preparation of our 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.

Management believes that the following accounting policies are the most critical in fully understanding and evaluating our reported financial results as they require a higher degree of judgment in their application resulting from the need to make estimates about the effect of matters that are inherently uncertain. See Note 2 to our audited Consolidated Financial Statements included herein for details of all of our material accounting policies.

Revenue and expense recognition

Revenues and expenses are recognized on the accruals basis. Revenues are generated from freight billings, time charter and bareboat charter hires. Voyage revenues and expenses are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Time charter and bareboat charter revenues are recorded over the term of the charter as service is provided. The Company uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contracts of affreightment whereby it recognizes revenue ratably from when product is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage. However, the Company does not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Amounts receivable or payable arising from profit sharing arrangements are accrued based on amounts earned as of the reporting date. Profit share income represents vessel earnings earned by the Company's customers in excess of market rates. Profit share expense represents amounts due to Ship Finance based on 20% of the excess of vessel revenues earned by the Company over the base hire paid to Ship Finance for chartering in the vessels.

Revenues and voyage expenses of the vessels operating in pool arrangements are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. Formulae used to allocate net pool revenues vary among different pools but generally allocate revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighting adjustments made to reflect vessels' differing capacities and performance capabilities. The same revenue and expense principles stated above are applied in determining the pool's net pool revenues. Certain pools are responsible for paying voyage expenses and distribute net pool revenues to the participants. Certain pools require the participants to pay and account for voyage expenses, and distribute gross pool revenues to the participants such that the participants' resulting net pool revenues are equal to net pool revenues calculated according to the agreed formula. Revenues allocated by these pools are included in voyage revenues in the consolidated statements of operations.

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 2015, whichever comes first. Other equipment is depreciated over its estimated remaining useful life, which approximates five years.

On July 1, 2009, the Company effected a change in estimate related to the estimated scrap rate for all of its owned vessels and for leased vessels where the Company has an interest in the residual value. The scrap rate was amended from an average of $222 per lightweight ton to $281 per lightweight ton for VLCCs and from an average of $378 per lightweight ton to $281 per lightweight ton for Suezmaxes. The resulting change in salvage values has been applied prospectively and reduced depreciation by approximately $0.1 million for the six months ended December 31, 2009. This change also resulted in an increase in net income of approximately $0.1 million with no impact in earnings per share for the year ended December 31, 2009. The Company's assumptions used in the determination of estimated salvage value took into account then current scrap prices, the historic pattern of scrap rates over the ten years ended December 31, 2008, estimated changes in future market demand for scrap steel and estimated future demand for vessels. Management believes that $281 per lightweight ton is a reasonable estimate of future scrap prices, taking into consideration the cyclicality of the nature of future demand for scrap steel. Although management believes that the

assumptions used to determine the scrap rate are reasonable and appropriate, such assumptions are highly subjective, in part, because of the cyclicality of the nature of future demand for scrap steel.

Vessel Impairment

The carrying values of the Company's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels held and used by the Company are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount. This assessment is made at the individual vessel level as separately identifiable cash flow information for each vessel is available.

In developing estimates of future cash flows, the Company must make assumptions about future charter rates, ship operating expenses, and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

Our Fleet – Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In "Critical Accounting Policies – Vessel Impairment" we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we did not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the estimated market values for our vessels that we have received from shipbrokers and are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

The table set forth below indicates (i) the carrying value of each of our owned vessels as of December 31, 2010, (ii) which of those vessels we believe has a basic market value, based on shipbroker reports, below its carrying value, and (iii) the aggregate difference between carrying value and market value represented by such vessels. We believe that the future undiscounted cash flows expected to be earned by those vessels, which have experienced a decline in charter-free market value below such vessels' carrying value, over their operating lives would exceed such vessels' carrying values as of December 31, 2010, and accordingly, have not recorded an impairment charge. As of December 31, 2010, and the date of this annual report, we are not holding any of the vessels listed in the table below as held for sale.

Vessel	Built	Approximate Dwt.	Carrying Value ($ millions)
VLCCs			
Antares Voyager	1998	310,000	49.4
Phoenix Voyager	1999	308,500	50.6
British Pioneer	1999	307,000	52.3
British Progress	2000	307,000	53.9
British Purpose	2000	307,000	54.5
Front Shanghai (1)	2006	298,500	69.7
Front Kathrine	2009	297,974	102.5
Front Queen (2)	2009	297,000	104.0
Front Eminence	2009	321,300	101.3
Front Endurance	2009	321,300	101.7
Front Cecilie (2)	2010	297,000	111.9
Front Signe (2)	2010	297,000	113.0
Suezmax Tankers			
Front Fighter (2)	1994	147,048	42.4
Front Hunter (2)	1996	146,286	50.3

Front Alfa (2)	1993	150,038	40.4
Front Beta (2)	1992	135,915	34.5
Front Delta (2)	1993	136,055	31.9
Northia	2010	156,000	65.4
Naticina	2010	156,000	65.3
Front Odin	2010	156,000	66.4
Front Njord	2010	156,000	66.4

(1) Vessel was sold in January 2011 for net sale proceeds of $91.2 million. In connection with the sale, we agreed to charter back the vessel from the new owner for approximately two years at a rate of $35,000 per day.

(2) Indicates tanker vessels for which we believe, as of December 31, 2010, the basic charter-free market value is lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by approximately $97.9 million.

(3) The Cygnus Voyager, Altair Voyager and Sirius Voyager have not been included in the table as we have determined that we are not the primary beneficiary of the subsidiaries, which own these vessels and these subsidiaries are accounted for under the equity method.

We refer you to the risk factor entitled "Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels which may adversely affect our earnings" and the discussion herein under the heading "Business Overview".

Vessels and equipment under capital lease

The Company charters in certain vessels and equipment under leasing agreements. Leases of vessels and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as capital leases. Capital leases are capitalized at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period.

Depreciation of vessels and equipment under capital lease is included within "depreciation and amortization expense" in the consolidated statement of operations. Vessels and equipment under capital lease are depreciated on a straight-line basis over the vessels' remaining economic useful lives 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.

Factors Affecting our Results

The principal factors which affect our results of operations and financial position include:

- the earnings of our vessels in the charter market;
- gains from the sale of assets;
- vessel operating expenses;
- profit share expense;
- administrative expenses;
- depreciation;
- interest expense;
- impairment of securities.

We have derived our earnings from bareboat charters, time charters, voyage charters, pool arrangements and contracts of affreightment.

As of December 31, 2010, 2009 and 2008, 36, 34 and 36, respectively, of our vessels operated in the voyage charter market. The tanker industry has historically been 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 services.

Gains from the sale of assets relates to gains from the sale of vessels and marketable securities and payments received on the termination of leases.

Operating costs are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, drydockings, lubricating oils and insurance.

Profit share expense relates to the vessels amounts due to Ship Finance based on 20% of the excess of vessel revenues earned by the Company over the base hire paid to Ship Finance for chartering in the vessels.

Administrative expenses are composed of general corporate overhead expenses, including personnel costs, property costs, legal and professional fees and other general administrative expenses. Personnel costs include, among other things, salaries, pension costs, fringe benefits, travel costs and health insurance.

Depreciation, or the periodic cost charged to our income for the reduction in usefulness and long-term value of our vessels, is also related to the number of vessels we own or lease. We depreciate the cost of vessels we own, less their estimated residual value, over their estimated useful life on a straight-line basis. We depreciate the cost of vessels held under capital lease over the term of the lease. No charge is made for depreciation of vessels under construction until they are delivered.

Interest expense relates to vessel specific debt facilities, corporate debt and capital leases. Interest expense depends on our overall borrowing levels and may significantly increase when we acquire vessels or on the delivery of

newbuildings. Interest incurred during the construction of a newbuilding is capitalized in the cost of the newbuilding. Interest expense may also change with prevailing interest rates, although the effect of these changes may be reduced by interest rate swaps or other derivative instruments.

An other-than-temporary impairment regarding our available-for-sale marketable securities will be recorded as an impairment of securities.

Lack of Historical Operating Data for Vessels before their Acquisition

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we do not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in our common shares in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have agreed to acquire (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter. It is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer's entering into a separate direct agreement with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter, because it is a separate service agreement between the vessel owner and the charterer. When we purchase a vessel and assume a related time charter, we must take the following steps before the vessel will be ready to commence operations:

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

Inflation

Although inflation has had a moderate impact on our vessel operating expenses and corporate overheads, management does not consider inflation to be a significant risk to direct costs in the current and foreseeable economic environment. It is anticipated that insurance costs, which have risen over the last three years, may well continue to rise moderately over the next few years. Oil transportation is a specialized area and the number of vessels is increasing. There will therefore be an increased demand for qualified crew and this has and will continue to put inflationary pressure on crew costs. However, 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 in the event of a downturn.

Year ended December 31, 2010 compared with the year ended December 31, 2009

Total operating revenues and voyage expenses and commission

			Change	
(in thousands of $)	2010	2009	$	%
Voyage charter revenues	708,008	565,331	142,677	25.2
Time charter revenues	365,159	486,361	(121,202)	(24.9)

Bareboat charter revenues	71,370	64,526	6,844	10.6
Other income	20,678	17,068	3,610	21.2
Total operating revenues	1,165,215	1,133,286	31,929	2.8

Voyage charter revenues increased in 2010, as compared to 2009, is primarily due to the following reasons:

- In 2009, three Suezmaxes were chartered in under floating rate charters, bringing the total under such agreements to nine in 2009. Trading days increased in 2010 as a result of newly delivered vessels and the transfer of vessels from time charters to voyage charters. Two Suezmaxes and four VLCCs were delivered onto voyage charters during 2010, which increased revenues by $37.7 million.

- 14 vessels moved from time charters to voyage charters in 2010, which together with market conditions, increased voyage charter revenues by $180.1 million.

- The Desh Ujaala was chartered in during 2010, generating $25.6 million in voyage charter revenues.

- Demurrage income, which is classified as voyage charter income, increased by $17.1 million higher compared to 2009 primarily due to an increase in the number of vessels trading on the spot market during 2010 offset by a fall in TCE rates during 2010.

These factors were partially offset by;

- A decrease in the average TCE rates for double hull VLCCs and double hull Suezmaxes from approximately $38,000 and $23,200 in 2009, respectively, to approximately $36,800 and $24,300 in 2010, respectively.

- A decrease in the average TCE rates for single hull VLCCs and single hull Suezmaxes from approximately $23,800 and $9,100 in 2009, respectively, to approximately $22,500 and $7,300 in 2010, respectively.

- The last remaining single hull Suezmax was sold in April 2010 thereby reducing voyage charter revenues by $7.7 million compared to 2009.

- The lease for the Front Duchess was terminated in September 2009, resulting in a reduction in revenues of $7.6 million in 2010 compared to 2009.

- Revenues generated from relets were $47.4 million lower in 2010.

- In 2009, nine vessels were chartered-in on floating rate charters and traded in the Gemini pool. The number of vessels was increased to 15 in the first half of 2010, but all vessels were redelivered with effect from June 30, 2010 resulting in a net reduction in voyage charter revenues of $12.7 million in 2010 when compared to the prior year. This reduction in revenues was matched by an equal reduction in charterhire expenses.

- Eight vessels that had not traded exclusively in the Gemini pool in 2009 traded solely in the Gemini pool in 2010, resulting in a reduction in revenues of $10.8 million.

- Five vessels, which were chartered in on fixed rate charters and traded on the spot market were redelivered to their owners in late 2009 and early 2010 giving rise to a $31.6 million reduction in voyage charter revenues.

Time charter revenues decreased in 2010, as compared to 2009, primarily due to the following reasons:

- The lease on a single hull VLCC, Golden River, was terminated in March 2010 resulting in a decrease in time charter revenues of $11.2 million compared with 2009.

- Two chartered in Suezmaxes were redelivered in the final quarter of 2009, thereby resulting in a $5.6 million decrease in time charter revenues in 2010.

- Two vessels that moved from time charters to bareboat charters during 2009, resulted in a decrease in time charter revenues of $9.5 million. In 2010, movements in the market combined with 14 vessels moving from time charters to voyage charters led to a net reduction of $121.9 million in revenues.

These factors were partially offset by;

- In 2009, six OBOs were drydocked compared to two in 2010 and five vessels changed to time charters, which resulted in an $11.9 million increase in revenues.

-

Two Suezmax newbuildings and one VLCC were delivered onto time charters during 2010 resulting in a $15.1 million increase in revenue.

Bareboat revenues increased in 2010, as compared to 2009, primarily due to:

- Two additional single hull VLCCs were traded on bareboat charters in the year resulting in a $4.9 million increase in bareboat revenues. The redelivery of the Antares Voyager together with the change in charter rates on the Windsor vessels contributed to a $2.8 million reduction in bareboat revenues in 2010.

- Two single hull VLCCs transferred onto bareboat charters in 2009 continued to trade on bareboat throughout 2010 and thus resulted in increased bareboat revenues of $4.7 million.

The increase in other income in 2010, as compared to 2009, is primarily due to an increase in income earned from the commercial management of related party and third party vessels together with an increase in administrative revenues derived from related parties and third parties.

Consistent with general practice in the shipping industry, the Company uses time charter equivalent revenue, which represents operating revenues less voyage expenses, as a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. Time charter equivalent revenue, a non-GAAP measure, provides additional meaningful information in conjunction with operating revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating the Company's financial performance. A summary of average time charter equivalent earnings per day for our fleet is as follows:

(in $ per day)	2010	2009	2008	2007	2006
VLCC	35,900	38,300	74,500	45,700	56,800
Suezmax	25,800	25,300	55,200	33,000	37,800
Suezmax OBO	47,400	43,000	43,500	39,700	31,700

Gain on sale of assets and amortization of deferred gains

			Change	
(in thousands of $)	2010	2009	$	%
Gain on sale of assets and amortization of deferred gains	30,935	3,061	27,874	910.6

The gain on sale of assets and amortization of deferred gains in 2010 comprises gains of $5.9 million resulting from the termination of the long-term charter party agreements for Front Vista and Golden River, a gain of $0.1 million following the sale of the Front Voyager and $24.9 million in respect of the amortization of deferred gains following the termination of the capital leases relating to Front Crown, Front Commander and Front Chief. This represents the full amortization of the gain.

The gain on sale of assets and amortization of deferred gains in 2009 comprises a gain resulting from the termination of the long-term charterparty agreement for Front Duchess.

Ship operating expenses

			Change	
(in thousands of $)	2010	2009	$	%
VLCC	100,645	124,357	(23,712)	(19.1)
Suezmax	63,314	49,980	13,334	26.7
Suezmax OBO	31,720	32,044	(324)	(1.0)
Total ship operating expenses	195,679	206,381	(10,702)	(5.2)

Ship operating expenses are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, drydockings, lubricating oils and insurance.

VLCC operating costs have decreased in 2010, as compared to 2009, primarily due to the following reasons:

- Three double hull vessels were drydocked in 2010 compared with eight double hull and one single hull vessels in 2009, which resulted in a decrease of $13.2 million in drydocking expenses.

- The lease for the Front Duchess and Golden River were terminated in September 2009 and April 2010, respectively. This reduced operating expenditure in 2010 by $4.6 million.

- Four single hull vessels have moved onto bareboat charters throughout 2009 and 2010. Operating costs incurred on these vessels has fallen by $7.0 million.

- Three double hull vessels moved from finance leases to operating leases at the end of 2009, the decrease in operating expenditure on these vessels in 2010 was $9.7 million

These reductions were partially offset by the delivery of four double hull vessels in 2010, thereby increasing operating costs by $6.6 million during 2010. Operating costs also increased due to increased luboils and services expenditures of $3.4 million and an increase in post fixture and management fee expenses of $0.8 million.

Suezmax operating costs have increased in 2010, as compared to 2009, primarily due to the following reasons:

- Five double hull Suezmaxes were drydocked in 2010 compared with one double hull Suezmax in 2009, which resulted in an increase of $6.4 million in drydocking expenses.

- The Company's final single hull Suezmax was sold in April 2010, reducing operating expenditure by $2.4 million.

- Four new Suezmaxes were delivered during 2010, increasing operating costs by $8.0 million in 2010.

- Higher insurance and services costs increased operating costs by $1.3 million.

OBO operating costs decreased in 2010, as compared to 2009, primarily due to a decrease in drydocking costs of $0.3 million. Two OBOs were drydocked in 2010, compared with six in 2009.

Profit share expense

			Change	
(in thousands of $)	2010	2009	$	%
Profit share expense	30,566	33,018	(2,452)	(7.4)

Profit share expense relates to the vessels leased from Ship Finance and is calculated as 20% of TCE in excess of daily base charter hire.

Charterhire expenses

			Change	
(in thousands of $)	2010	2009	$	%
Charterhire expenses	134,551	169,503	(34,952)	(20.6)
Number of vessels chartered in and accounted for as operating leases:	2010	2009		
VLCC	12	2		
Suezmax	17	15		
Total	29	17		

Charterhire expenses decreased in 2010, as compared to 2009, primarily as a result of the redelivery of 15 Suezmaxes that were previously chartered in on floating rate charters from NATS. Six VLCCs that had been chartered in on finance leases from Ship Finance moved to operating leases throughout the year, one of these vessels was sold in April 2010. Five Suezmaxes were chartered in on fixed rates charters and at the end of 2009 all but one had been

redelivered, the final redelivery took place in April 2010. Two vessels (2009: two) are chartered in on a profit share basis.

Administrative expenses

			Change	
(in thousands of $)	2010	2009	$	%
Administrative expenses	31,883	30,647	1,236	(4.0)

45

The increase in administrative expenses during 2010 was primarily due to costs of $2.0 million associated with the newly established subsidiary, SeaTeam Management Pte Ltd, a $1.6 million increase in consultancy, legal and other professional costs and an increase of $0.9 million in office and travel expenses. These costs were partially offset by a $2.6 million decrease in staff compensation in 2010 largely as a result of reduced performance related bonuses, stock compensation and pension costs and a $0.5 million decrease in audit fees.

Interest income

			Change	
(in thousands of $)	2010	2009	$	%
Interest income	13,432	22,969	(9,537)	(41.5)

Interest income decreased in 2010 primarily as a result of a reduction in average cash balances held during the year and the utilization of restricted cash balances in the ITCL group to settle two capital leases. Restricted cash balances held have been substantially reduced following amendments made to charter agreements with Ship Finance.

Interest expense

			Change	
(in thousands of $)	2010	2009	$	%
Interest expense	149,918	160,988	(11,070)	(6.9)

Interest expense decreased in 2010 primarily as a result of lower finance lease interest on the vessels leased from Ship Finance and vessels in the ITCL group. Five vessels previously chartered from Ship Finance on capital leases moved to operating leases during the year and the leases for two other vessels were terminated. The leases for two of the three vessels chartered in by ITCL under capital leases at the end of 2009, were terminated during 2010.

Equity earnings of unconsolidated subsidiaries and associated companies

			Change	
(in thousands of $)	2010	2009	$	%
Share of results of associated companies	(515)	(544)	29	5.3

As of December 31, 2010, we account for four investees, as compared to four during 2009, under the equity method.

Other

			Change	
(in thousands of $)	2010	2009	$	%
Foreign currency exchange gains (losses)	622	(346)	968	(279.8)
Mark to market of derivatives	(19)	-	(19)	-
Impairment of securities	(9,425)	-	(9,425)	-
Dividends received, net	(278)	3,087	(3,365)	(109.0)
Other non-operating items, net	2,411	1,545	866	(56.1)

Impairment of securities in 2010 relates to the other-than-temporary impairment recorded against securities held in OSG. The securities were written down to fair value of $49.9 million as of December 31, 2010 resulting in an impairment loss of $9.4 million.

Dividends received in 2010 includes a write-off of $2.1 million relating to dividends receivable from Navig8. The Company's investment in Navig8 was sold in 2010.

In 2010, other non-operating items, net includes a gain of $3.6 million due to the termination of a funding agreement and amortized gains on sale of $3.1 million, which have partially been offset by a termination fee of $2.7 million paid on early redemption of bond debt.

Net income attributable to noncontrolling interest

			Change	
(in thousands of $)	2010	2009	$	%
Net income attributable to noncontrolling interest	2,597	2,771	(174)	(6.3)

In 2010, net income attributable to noncontrolling interest represents the 17.53% interest not owned by Frontline in the net income of ITCL and 25% of the net income in SeaTeam Management Pte. Limited.

In 2009, net income attributable to noncontrolling interest represents the 17.53% interest not owned by Frontline in the net income of ITCL.

Year ended December 31, 2009 compared with the year ended December 31, 2008

Total operating revenues and voyage expenses and commission

			Change	
(in thousands of $)	2009	2008	$	%
Voyage charter revenues	565,331	1,425,968	(860,637)	(60.3)
Time charter revenues	486,361	602,980	(116,619)	(19.3)
Bareboat charter revenues	64,526	57,152	7,374	12.9
Other income	17,068	17,918	(850)	(4.7)
Total operating revenues	1,133,286	2,104,018	(970,732)	(46.1)

Total operating revenues decreased in 2009, as compared to 2008, primarily due to significant decreases in voyage and time charter revenues.

Voyage charter revenues decreased mainly due to the following reasons:

- The average TCE rates for double hull VLCCs and double hull Suezmaxes decreased from approximately $90,000 and $58,400, respectively, in 2008 to approximately $38,000 and $23,200, respectively, in 2009.

- The average TCE rates for single hull VLCCs and single hull Suezmaxes decreased from approximately $40,500 and $39,900, respectively, in 2008 to approximately $23,800 and $9,100, respectively, in 2009.

- The lease on a single hull VLCC, Front Duchess, was terminated in September 2009 resulting in a decrease in voyage charter revenues of $14.4 million compared with 2008.

- Demurrage income was lower in 2009 than in the prior year, resulting in a $82.2 million reduction in voyage charter revenues. These rates are determined by the market rates which were also lower in the year.

- Revenues generated from relets were $69.2 million lower in 2009. This was largely matched by a $68.9 million reduction in voyage expenses in the year.

- A decrease in trading days in 2009 due mainly to the redelivery of a vessel chartered in for 2008, which reduced income by $52.6 million, and the transfer of three double hull VLCCs and one double hull Suezmax to time charters from voyage charters for the majority of 2009. There was a reduction of $166.5 million in voyage charter revenues for these vessels.

- Eighteen double hull Suezmax vessels entered the Gemini Pool during the first quarter of the year. Earnings on the vessels traded in the pool were $277.3 million lower in 2009 than in 2008 as a result of the weaker spot market.

Time charter revenues decreased mainly due to the following reasons:

- Six OBOs were drydocked in the year compared with one in 2008. As a result these vessels incurred much larger periods of offhire, which reduced income by $7.9 million.

- Two single hull VLCCs, Front Sabang and Front Duchess, did not trade on time charter in 2009 decreasing revenue by $6.2 million. Two other vessels were transferred onto bareboat charters from time charters. The impact on revenue was a decrease of $37.5 million from the prior year. Two other vessels were chartered out at rates linked to the Baltic Exchange Index which fell in 2009 from 2008, resulting in reported revenues decreasing by $17.0 million.

- Six double hull VLCCs are chartered out under floating rate time charters. In 2009, revenues from these vessels was $121.4 million lower than 2008.

- Movement of double hull VLCCs between spot and time charters gave rise to a $20.7 million increase in time charter revenues in 2009 on 2008.

These items were partially offset by an increase in double hull Suezmax trading days compared to 2008. This is due to three of the Suezmax double hull vessels purchased midway through 2008 operating for the whole of 2009 resulting in increased revenues of $21.2 million. In addition, two vessels that had traded in the spot market moved to time charters, increasing income by $15.9 million.

Bareboat revenues increased during the year after two single hull VLCCs were chartered out on long term bareboat agreements during the year.

The decrease in administrative income in 2009 is mainly due to a decrease in income earned from supervising the newbuilding projects of related parties and a decrease in commercial management commissions, which were partially offset by cost recharges to various related parties.

Gain on sale of assets and amortization of deferred gains

			Change	
(in thousands of $)	2009	2008	$	%
Gain on sale of assets and amortization of deferred gains	3,061	142,293	(139,232)	(97.8)

The gain on sale of assets in 2009 comprises a gain resulting from the termination of the long-term charterparty agreement for Front Duchess.

The gain on sale of assets in 2008 comprises gains of $17.1 million and $24.8 million resulting from the termination of the long-term charterparty agreements for Front Maple and Front Sabang respectively. Also included in the gain on sale of assets are gains of $26.0 million and $26.4 million relating to the delivery of two completed heavy lift conversions, the Front Comor and Front Traveller, respectively. Upon delivery of these final two vessels a further $38.6 million was recognized on the gain on the sale of the heavylift vessels. A further gain of $9.4 million was recognized on the sale of the Front Comor and Front Traveller mid-sections.

Ship operating expenses

			Change	
(in thousands of $)	2009	2008	$	%
VLCC	124,357	141,565	(17,208)	(12.2)
Suezmax	49,980	45,210	4,770	10.6
Suezmax OBO	32,044	26,991	5,053	18.7
Total ship operating expenses	206,381	213,766	(7,385)	(3.5)

Ship operating expenses are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, drydockings, lubricating oils and insurance.

VLCC operating costs have decreased mainly due to the following reasons:

- Eight double hull and one single hull vessel were drydocked in 2009 compared with six double hull and three single hull vessels in 2008. Drydocking expenditure in 2009 was $14.6 million lower than in 2008 due to fewer single hull vessels being drydocked and more vessels being drydocked in China, which proved to be cost effective.

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Two single hull vessels were delivered onto bareboat charters in April and May 2009. Operating costs incurred on these vessels was $7.0 million lower in 2009 when compared to 2008.

- The Front Sabang which had previously reported operating expenditure in 2008 but was sold in the first half of the year led to a decrease of $1.3 million in 2009. The Front Duchess was sold in 2009 and resulted in decreased operating expenditure of $1.7 million.

These items were partially offset by two newbuilding double hull VLCCs, which were completed and delivered during 2009 resulting in additional operating costs of $4.4 million compared to 2008 and an increase in crew costs on the VLCCs contributed of $3.0 million compared to 2008.

Suezmax operating costs have increased mainly due to the following:

- One double hull Suezmax was drydocked in 2009 compared with three double hull Suezmaxes in 2008, which resulted in a decrease of $4.6 million in drydocking expenses.

- Operating expenditure for single hull Suezmax vessels for the whole of 2009 related to one single hull Suezmax. As a result of the disposal of other single hull Suezmaxes in the prior year, operating expenditure fell by $1.7 million.

- Five double hull Suezmax vessels were acquired and delivered during the period from June to August 2008 and consequently a full year of operating expenditure was incurred in 2009 resulting in an increase of $10.0 million.

OBO operating costs have increased mainly due to drydocking costs. Six OBOs were drydocked in 2009, compared with one in 2008, resulting in increased drydocking costs of $4.2 million.

Profit share expense

			Change	
(in thousands of $)	2009	2008	$	%
Profit share expense	33,018	110,962	(77,944)	(70.2)

Profit share expense relates to the vessels leased from Ship Finance and is calculated as 20% of TCE in excess of daily base charter hire.

Charterhire expenses

			Change	
(in thousands of $)	2009	2008	$	%
Charterhire expenses	169,503	220,170	(50,667)	(23.0)
Number of vessels chartered in and accounted for as operating leases:	2009	2008		
VLCC	2	4		
Suezmax	15	14		
Total	17	18		

Charterhire expenses decreased in 2009 following the redelivery of two VLCCs and two Suezmaxes during 2008 and due to a fall in rates for the vessels chartered in on floating rates and profit share basis. In 2009, an additional three Suezmaxes were chartered in under floating rate charters, bringing the total under such agreements to nine during 2009. Two vessels (2008: two) are chartered in on a profit share basis.

Administrative expenses

			Change	
(in thousands of $)	2009	2008	$	%
Administrative expenses	30,647	35,226	(4,579)	(13.0)

The decrease in administrative expenses during 2009 was mainly due to a $1.3 million reduction in stock compensation, a $1.0 million reduction in personnel costs due mainly to a decrease in the number of staff and a $1.8 million reduction in consultancy, audit and other professional costs, which were partially offset by a $0.7 million increase in newbuilding supervision expenses.

Interest income

(in thousands of $)	2009	2008	Change $	%
Interest income	22,969	41,204	(18,235)	(44.3)

Interest income has decreased primarily as a result of a decrease in average cash balances held during the year resulting from increased investments and lower cash generated from operations as a result of the weaker market.

Interest expense

(in thousands of $)	2009	2008	Change $	%
Interest expense	160,988	183,925	(22,937)	(12.5)

Interest expense has decreased in 2009 mainly as a result of lower capital lease interest on the vessels leased from Ship Finance due to the decreasing capital lease balances outstanding and one fewer vessel being leased during 2009. In addition, the capital lease interest expense on the vessels in the ITCL group decreased due to one fewer vessel being leased during 2009 and the effect of foreign exchange.

Equity earnings of unconsolidated subsidiaries and associated companies

			Change	
(in thousands of $)	2009	2008	$	%
Share of results of associated companies	(544)	(901)	(357)	(39.6)

As of December 31, 2009, we account for four investees (2008: five) under the equity method.

Other

			Change	
(in thousands of $)	2009	2008	$	%
Foreign currency exchange (losses) gains	(346)	1,565	(1,911)	(122.1)
Mark to market of derivatives	-	(17,399)	17,399	100.0
Impairment of securities	-	(25,134)	25,134	100.0
Dividends received, net	3,087	1,552	1,535	98.9
Loss on sale of securities	-	(221)	221	100.0
Other non-operating items, net	1,545	34,043	(32,498)	(95.5)

There were no derivative transactions during 2009. The unfavorable movement in mark to market of derivatives in 2008 relates primarily to the forward contracts and total return swap in relation to the purchase and sale of securities in Overseas Shipholding Group Inc. ("OSG") totaling $15.0 million. The remaining loss in 2008 relates to losses on forward freight contracts.

Impairment of securities in 2008 relates to the other-than-temporary impairment recorded against securities held in OSG. The securities were written down to fair value of $59.3 million as of December 31, 2008 resulting in an impairment loss of $25.1 million.

The loss on sale of securities in 2008 relates to the disposal of securities in OSG.

Other non operating items, net in 2008 is primarily due to a gain of $16.6 million following settlement by Bocimar of a legal case and a $18.0 million gain on the partial spin-off of ITCL.

Net income attributable to noncontrolling interest

			Change	
(in thousands of $)	2009	2008	$	%
Net income attributable to noncontrolling interest	2,771	2,184	587	26.9

In 2009 and 2008, net income attributable to noncontrolling interest represents the 17.53% interest not owned by Frontline in the net income of ITCL from February 2008.

Recent accounting pronouncements

In January 2010, the FASB issued authoritative guidance that changes the disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose separately the amounts of significant

transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. The changes also clarify existing disclosure requirements related to how assets and liabilities should be grouped by class and valuation techniques used for recurring and nonrecurring fair value measurements. We adopted the guidance in the first quarter 2010, which did not have an impact on our consolidated financial statements.

In January 2010 the FASB issued authoritative guidance in order to eliminate diversity in the way different companies reflect new shares issued as part of a distribution in their calculation of earnings per share. The provisions of this new guidance are effective on a retrospective basis and their adoption had no impact on the Company's reported earnings per share.

In January 2010, the FASB issued authoritative guidance to amend the accounting and reporting requirements for decreases in ownership of a subsidiary. This guidance requires that a decrease in the ownership interest of a subsidiary that does not result in a change of control be treated as an equity transaction. The guidance also expands the disclosure requirements about the deconsolidation of a subsidiary. The Company adopted this guidance in the first quarter of 2010 and it did not have a material impact on its consolidated financial statements.

In February 2010, the FASB amended guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements in the first quarter of 2010. The adoption of this guidance did not have an impact on our financial statements

In July 2010, the FASB issued authoritative guidance which requires expanded disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses on a disaggregated basis. The adoption of this guidance by the Company with effect from 1 January 2010 did not have any effect on its consolidated financial statements.

Liquidity and Capital Resources

Liquidity

We operate in a capital intensive industry and have historically financed our purchase of tankers and other capital expenditures through a combination of cash generated from operations, equity capital and borrowings from commercial banks. Our ability to generate adequate cash flows on a short and medium term basis depends substantially on the trading performance of our vessels in the market. Market rates for charters of our vessels have been volatile historically. Periodic adjustments to the supply of and demand for oil tankers causes the industry to be cyclical in nature. We expect continued volatility in market rates for our vessels in the foreseeable future with a consequent effect on our short and medium term liquidity.

Our funding and treasury activities are conducted within corporate policies to maximize investment returns while maintaining appropriate liquidity for our requirements. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in British Pounds and Norwegian Kroner.

Our short-term liquidity requirements relate to servicing our debt, payment of operating costs (including drydocking), lease payments for our chartered in fleet, funding working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. Sources of short-term liquidity include cash balances, restricted cash balances, short-term investments and receipts from our customers. Revenues from time charters and bareboat charters are generally received monthly or fortnightly in advance while revenues from voyage charters are received upon completion of the voyage.

Net cash provided by operating activities was $317.6 million in 2010 compared with $321.5 million in 2009 and $826.8 million in 2008. The Company's reliance on the spot market contributes to fluctuations in cash flows from operating activities historically as a result of the exposure to highly cyclical tanker rates and more recently as a result of the impact of the downturn in the world economy on worldwide oil demand. Any decrease in the average TCE

rates earned by the Company's vessels in periods subsequent to December 31, 2010, compared with the actual TCE rates achieved during 2010, will have a negative comparative impact on the amount of cash provided by operating activities. As of February 2011, we have average total cash cost breakeven rates on a TCE basis of approximately $24,500 for our Suezmax tankers and approximately $30,100 for our VLCCs. These are the daily rates our vessels must earn to cover budgeted operating costs, estimated interest expenses and scheduled loan principal repayments, bareboat hire and corporate overhead costs in 2011. These rates do not take into account capital expenditures or loan balloon repayments at maturity, which we expect to refinance with new loans. Furthermore, vessels on short term time charter in and the vessels on bareboat charters out are not included in the breakeven rates.

Our medium and long-term liquidity requirements include funding the equity portion of investments in new or replacement vessels, repayment of long-term debt balances and funding any payments we may be required to make due to lessor put options on certain vessels we charter in. Sources of funding our long-term liquidity requirements include new loans or equity issues, public and private debt offerings, vessel sales and sale and leaseback arrangements. We believe our working capital is sufficient for the Company's present requirements.

As of December 31, 2010, 2009 and 2008, we had cash and cash equivalents of $176.6 million, $82.6 million and $190.8 million, respectively. As of December 31, 2010, 2009 and 2008, we had restricted cash balances of $244.1 million, $500.0 million and $554.8 million, respectively. Our restricted cash balances contribute to our total short and medium term liquidity as they are used to fund payment of certain loans and lease payments which would otherwise be paid out of our cash balances. In March 2010, we made certain amendments to the charter agreements with Ship Finance relating to 31 double hull crude oil tankers and OBOs, which resulted in our restricted cash deposits being reduced in exchange for a guarantee from us for the payment of charterhire. Withdrawals from these restricted cash deposits will be prohibited. Restricted cash deposits held in respect of the Ship Finance charter reserves decreased by $111.7 million resulting from amendments to the charter agreements and $10.6 million due to reserves no longer required for two vessels. We also made an advance payment of charterhire less operating expenses of $72.8 million covering part of the payments due to Ship Finance over the six months from March 2010. As of December 31, 2010, $62.0 million of our restricted cash (2009: $184.3 million) serves to support our obligations to make charterhire payments to Ship Finance, and is subject to adjustment based on the number of charters that we maintain.

At December 31, 2010, ITCL's assets included $181.6 million (2009: $314.9 million) of restricted cash deposits which are held for the benefit of the holders of the Notes issued on behalf of ITCL subsidiaries. This restricted cash also included deposits, which can only be used to meet liabilities under the lease agreements. The decrease in these restricted cash deposits is primarily due to the settlement of two outstanding capital lease obligations upon termination of the leases and principal and interest payments to the note holders.

We currently have five VLCC and two Suezmax vessels under construction with an aggregate contract cost of approximately $650 million. Installments of $198.6 million have been made on the newbuildings and the remaining installments to be paid as of December 31, 2010 amount to $451.4 million, with expected payments of approximately $106.9 million in 2011, $168.9 million in 2012 and $175.6 million in 2013.

In November 2010, the Company secured pre- and post-delivery financing in the amount of $147 million representing 70% of the contract price for the first two VLCCs to be delivered in 2012. For the three remaining VLCCs and the two Suezmax tanker newbuildings to be delivered between late 2012 and 2013, the Company has not yet established pre- and post-delivery financing. Based on recently secured financing for the VLCCs we assume 70% financing of current market values for these newbuildings. On this basis, we have already paid the equity investment and the remaining newbuilding installments will be fully financed by bank debt.

In January 2008 and March 2008, Ship Finance sold the single hull vessels Front Maple and Front Sabang, respectively, and terminated our long-term leases for the vessels. We received termination payments of $16.7 million and $26.8 million, respectively.

In April 2008, we received a $16.6 million settlement from Bocimar NV following judgment in January 2008 of a court case in our favor.

In May and June 2008, we delivered the third and fourth heavy lift vessels, respectively, generating net cash proceeds of approximately $28.0 million (the net of an $80.0 million seller's credit and the remaining heavy lift conversion commitments).

In January 2009, the lease agreement between Buckingham Shipping plc, a majority-owned subsidiary, and Dresdner Kleinwort Leasing was terminated and the outstanding lease obligation was settled in full using restricted cash. At December 31, 2008, the outstanding lease obligation was $69.3 million. In January 2010, the lease agreement between Caernarfon Shipping plc, a majority-owned subsidiary, and Dresdner Kleinwort Leasing was terminated and the outstanding lease obligation was settled in full using restricted cash. At December 31, 2009, the outstanding lease obligation was $70.0 million. In July 2010, the lease agreement between Sandringham Shipping plc, a majority-owned subsidiary, and Dresdner Kleinwort Leasing was terminated and the outstanding lease obligation was settled in full using restricted cash. At June 30, 2010, the outstanding lease obligation was $66.2 million. These lease terminations were cash neutral for the Company.

In March 2009, Frontline Shipping III Limited ("FSL III"), our wholly owned subsidiary, and Ship Finance amended their charter ancillary agreement whereby the charter service reserve totaling $26.5 million relating to vessels on charter from Ship Finance may be in the form of a loan to Ship Finance. In March 2009, a loan in the amount of $26.5 million was drawn down by Ship Finance. The loan bore interest at LIBOR plus a margin and was repaid in 2010.

In July 2009, we agreed with Ship Finance to terminate the long term charterparty for the single hull VLCC Front Duchess and received a compensation payment of approximately $2.4 million in October 2009.

In February 2010, we acquired the VLCC Front Vista from Ship Finance for a purchase price of $58.5 million and agreed to sell the vessel with the purchase price to be paid in installments over a 10 year period. The purchase price was financed with a $15 million bank loan, a $26.5 million sellers credit from Ship Finance and equity. The buyer of Front Vista has secured a 10 year time charter with a state owned oil company at a gross rate of $43,500 per day during the entire charter period.

In March 2010, Ship Finance sold the single hull vessel Golden River to a third party and as a result, terminated the Company's long-term lease for the vessel. The Company received a termination payment of $2.9 million.

In April 2010, a majority-owned subsidiary of the Company sold the Front Voyager for $8.3 million. We also announced the acquisition of two 2009-built 321,300 dwt double hull VLCC tankers; Callisto Glory and Andromeda Glory from an unrelated third party for an aggregate purchase price of $204.9 million. The first vessel; renamed Front Eminence, was delivered on May 18, 2010 and the second vessel; renamed Front Endurance, was delivered on June 28, 2010. We secured a loan facility representing approximately 70 percent financing of the purchase price to part finance the purchase of the vessels.

During the year ended December 31, 2010, we paid total cash dividends of $155.7 million. In the first quarter of 2011, we declared a cash dividend of $0.10 per share for the fourth quarter of 2010 representing a total cash payment of $7.8 million.

In January 2011, we sold the 2006-built VLCC Front Shanghai. The net sale proceeds were $91.2 million and, after repayment of debt, the sale generated $31.5 million in cash. In connection with the sale, we agreed to time charter back the vessel from the new owner for approximately two years at a rate of $35,000 per day.

In February 2011, we agreed with Ship Finance to terminate the long term charter parties between the companies for the two single hull VLCCs Ticen Sun and Front Ace and Ship Finance simultaneously sold the vessels. The termination of the charter parties took place in February 2011 and March 2011, respectively, and Ship Finance made a compensation payment to us of approximately $5.8 million for the early termination of the charter parties.

In March 2011, we exercised our option to acquire the 2002-built VLCC Front Eagle and simultaneously sold the vessel with expected delivery in the second quarter of 2011. The net sale proceeds are $67.0 million and, after repayment of debt, the sale will generate $10.0 million in cash. In connection with the sale, we agreed to time charter back the vessel from the new owner for approximately two years at a rate of $32,500 per day.

In April 2011, we agreed with Ship Finance to terminate the long term charter party between the companies for the OBO vessel Front Leader and Ship Finance simultaneously sold the vessel. The termination of the charter party is expected to take place in the second quarter of 2011 and we expect to make a compensation payment to Ship Finance of approximately $7.7 million for the early termination of the charter party.

Borrowing activities

In June 2006, we entered into an $80.0 million secured term loan facility. The proceeds were used to finance the acquisition of a 2006 built VLCC tanker. The facility bore interest at LIBOR plus a margin. The facility was refinanced in June 2008 and partially refinanced in June 2009 for $65.0 million and the remaining balance was repaid in June 2010 from a $200 million secured term loan facility discussed below.

In June 2008, we entered into a $129.6 million pre-delivery secured term loan facility. This loan was refinanced in June 2009 and bore interest at LIBOR plus a margin. The facility matured in June 2010. In June 2008, we also entered into a $420.0 million pre- and post-delivery secured term loan facility due in 2017. This facility bears interest at LIBOR plus a margin. At December 31, 2010, the facility was fully drawn and the outstanding amount on this facility was $363.0 million. In May 2009, we entered into a $146.4 million pre- and post-delivery secured term loan facility falling due in 2020. At December 31, 2010, facility was fully drawn and the outstanding amount on this facility was $142.8 million. This facility bears interest at LIBOR plus a margin. In November 2010, the Company secured pre- and post-delivery financing in the amount of $147 million representing 70 percent of the contract price for the first two VLCCs to be delivered in 2012. This facility was undrawn at December 31, 2010 and the available undrawn amount was $147 million. All four of these facilities were used, or will be used, to part finance our newbuilding program and are secured with the newbuildings.

In July 2008 and August 2008, ITCL entered into a $21.6 million and $50.0 million secured term loan facility, respectively. These facilities were used to purchase three tranches of Windsor Petroleum Transport Corporation 7.84% term notes with a par value of $38.0 million and were partially refinanced with a $33.0 million secured loan facility in June 2009. This facility was fully drawn at December 31, 2010 and matures in June 2011.

In September 2008, we entered into a $180.0 million secured term loan facility repayable over five years, which was used to part finance the acquisition of five second hand Suezmax vessels with a cost of $240.0 million. The facility bears interest at LIBOR plus a margin and is secured on the acquired vessels. At December 31, 2010, the outstanding amount on this facility was $99.0 million leaving no available undrawn amount.

On March 26, 2010, the Company announced the private placement of $225 million of convertible bonds and the offering of the bonds closed on April 14, 2010. The senior, unsecured convertible bonds have an annual coupon of 4.50%, which is paid quarterly in arrears and had a conversion price of $39.00. The bonds may be converted to Frontline Ltd common shares by the holders at anytime up to ten banking days prior to April 14, 2015. The reference price has been set at $29.7784 (NOK 180.0045). The applicable USD/NOK exchange rate has been set at 6.0448. The Company declared a dividend of $0.75 per share on May 21, 2010. The conversion price was adjusted from $39.00 to $38.0895 effective June 2, 2010 which was the date the shares traded ex-dividend. The Company declared a dividend of $0.75 per share on August 27, 2010. The conversion price was adjusted from $38.0895 to $37.0483 per share effective September 8, 2010, which was the ex-dividend date. There was no adjustment to the conversion price for the dividend of $0.15 per share, which was paid on December 21, 2010. On February 22, 2011 the Company announced a dividend of $0.10 per share. The conversion price was adjusted from $37.0483 to $36.5567 per share effective March 7, 2011, which was the ex-dividend date. The bonds will be issued and redeemed at 100% of their principal amount and will, unless previously redeemed, converted or purchased and cancelled, mature on April 14, 2015.

The Company has a right to redeem the bonds at par plus accrued interest at any time during the term of the loan, provided that 90% or more of the bonds issued shall have been redeemed or converted to shares. 6,154,822 new shares would be issued, if the bonds were converted at the current price of $36.5567.

In June 2010, the Company entered into a $200 million secured term loan facility falling due in 2015 in order to re-finance the remaining balance of a $80 million loan facility and part finance the purchase of Front Eminence and Front Endurance. At December 31, 2010 the balance outstanding on the loan was $196.9 million leaving no available undrawn amount. This facility bears interest at LIBOR plus a margin.

In December 2010, the Company entered into a $20 million secured term loan facility falling due in 2013. At December 31, 2010, no drawdown had taken place. This facility bears interest at LIBOR plus a margin.

Certain of the Company's loan agreements contain loan-to-value clauses, which could require the Company to post collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings under each of such agreements decrease below required levels. In addition, the loan agreements contain certain financial covenants. The Company was in compliance with all of the financial covenants contained in the Company's loan agreements as of December 31, 2010.

Acquisitions and Disposals

Independent Tankers Corporation Limited

In February 2008, we divested 17.53% of our holding in ITCL through a stock and cash dividend of $11.4 million and $14.0 million, respectively. We recorded a gain of $18.0 million in the first quarter of 2008 as a result of this spin-off.

Navig8 Limited ("Navig8")

In February 2008, we invested $20.0 million in Navig8 against the issue of new share capital representing approximately 15.8% of the company. We sold this investment in October 2010 for net proceeds of $19.8 million.

Overseas Shipholding Group, Inc. ("OSG")

In March 2008, we entered into a forward contract to purchase 1,366,600 shares of OSG, which represented 4.4% of the total outstanding shares, for $92.2 million. This contract was settled in October 2008. Also in October 2008, we sold 100,000 shares in OSG at a price of $64.50 per share. For the year ending December 31, 2009, we did not purchase or sell any shares of OSG. As of December 31, 2010, we beneficially owned 1,408,868 shares of OSG. In January and February 2011, we sold all of our shares in OSG for $46.5 million.

Equity

In June 2008, we completed a private placement of three million shares at a subscription price of NOK 357 per share resulting in net proceeds of $207.2 million. We used these proceeds to part finance the acquisition of the five Suezmax vessels from Top Ships Inc. and the purchase of OSG shares.

Derivative Activities

In 2008, we entered a limited number of Forward Freight Agreements, or FFAs, with an objective to utilize them as economic hedging instruments that reduce our exposure to changes in the spot market rates earned by some of our vessels or for trading purposes to take advantage of short term fluctuations in the market. All of the FFAs were settled as of December 31, 2008. In 2008, realized losses of $1.2 million have been recorded in the income statement. In 2010, we entered a limited number of FFAs for speculative trading purposes. As of December 31, 2010, the Company had 26 contracts outstanding (2009: zero). We incurred a loss on forward freight contracts of $0.02 million in 2010 (2009: zero).

Tabular disclosure of contractual obligations

At December 31, 2010, we had the following contractual obligations and commitments:

	Payment due by period				
(In thousands of $)	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years	Total
Fixed rate long-term debt	15,152	39,845	271,550	201,742	528,289
Floating rate long-term debt	158,443	165,389	179,649	332,588	836,069
Fixed rate long-term debt in unconsolidated subsidiaries	9,526	19,052	19,051	-	47,629
Operating lease obligations	69,301	21,400	3,029	-	93,730
Capital lease obligations	193,379	259,404	321,867	755,637	1,530,287

Newbuilding commitments	106,868	344,548	-	-	451,416
Interest on fixed rate long-term debt	33,822	63,538	54,307	54,377	206,044
Interest on floating rate long-term debt	38,041	58,216	43,524	34,678	174,459
Interest on fixed rate long-term debt in unconsolidated subsidiaries	3,652	4,870	1,623	-	10,145
Interest on capital lease obligations	97,913	159,453	121,287	192,356	571,009
Total	726,097	1,135,715	1,015,887	1,571,378	4,449,076

Interest payments are based on the existing borrowings of both consolidated and unconsolidated subsidiaries. It is assumed that no refinancing of existing loans takes place. Interest on floating rate debt has been calculated using the five year U.S. dollar swap rate of 2.08% plus agreed margins as of March 15, 2011. Interest on fixed rate loans is calculated using the contracted interest rates.

The newbuilding commitments as of December 31, 2010 consist of five VLCC and two Suezmax vessels.

As of December 31, 2010, the Company leased in 41 vessels on long-term time charters and bareboat charters from third parties and related parties. Four of these long-term time charters and bareboat charters are classified as operating leases and 37 as capital leases. In addition, eight are leased on short-term fixed rate charters which are classified as operating leases. With the exception of the Company's long-term leases with Ship Finance, the Company's long-term leases of vessels generally contain optional renewal periods and purchase and put options.

Off balance sheet financing

Charter hire payments to third parties for certain contracted in vessels are accounted for as operating leases. We are also committed to make rental payments under operating leases for office premises. The future minimum rental payments under our non-cancellable operating leases are disclosed above in "Tabular disclosure of contractual obligations".

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this report.

Safe harbor

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our executive officers and directors and certain key officers of our wholly owned subsidiary, Frontline Management AS, who are responsible for overseeing our management.

Name	Age	Position
John Fredriksen	66	Chairman, Chief Executive Officer, President and Director
Cecilie Fredriksen	27	Director
Kate Blankenship	46	Director and Audit Committee Chairman
Tony Curry	60	Director
Jens Martin Jensen	47	Chief Executive Officer of Frontline Management AS

Inger M. Klemp	48	Chief Financial Officer of Frontline Management AS

Tor Olav Trøim acts as an alternate director for Cecilie Fredriksen.

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

John Fredriksen has served as Chairman of the Board, Chief Executive Officer, President and a director of the Company since November 3, 1997. Mr. Fredriksen has established trusts for the benefit of his immediate family which control Hemen, our largest shareholder. Mr. Fredriksen is Chairman, President and a director of a related party Seadrill Limited, a Bermuda company listed on the Oslo Stock Exchange. He is also a director of a related party Golar LNG Limited, or Golar, a Bermuda company listed on the Nasdaq Global Market and the Oslo Stock Exchange whose principal shareholder is World Shipholding Limited, a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family. He is also a director of a related party Golden Ocean Group Limited, or Golden Ocean, a Bermuda company listed on the Oslo Stock Exchange whose principal shareholder is Hemen.

Cecilie Fredriksen has been a director since September 2010. Ms. Fredriksen is also a director of Aktiv Kapital ASA, Northern Offshore Ltd., Ship Finance International Limited, Golden Ocean Group Limited and Seawell Limited. She received a BA in Business and Spanish from the London Metropolitan University in 2006. Ms. Fredriksen is a Norwegian citizen, resident in the UK. Ms. Fredriksen is the daughter of Mr. John Fredriksen, our Chairman and Chief Executive Officer.

Kate Blankenship has been a director since August 2003. Mrs. Blankenship joined the Company in 1994 and served as the Company's Chief Accounting Officer and Company Secretary until October 2005. Mrs. Blankenship served as Chief Financial Officer of Knightsbridge Tankers Limited from April 2000 to September 2007 and Secretary of Knightsbridge from December 2000 to March 2007. Mrs. Blankenship has been a Director of Ship Finance since October 2003. Mrs. Blankenship has served as a director of Independent Tankers Corporation Limited since February 2008, Golar LNG Limited since July 2003, Golden Ocean since November 2004, Seadrill Limited since May 2005, Seawell Limited since its inception in August 2007 and Golar LNG Energy Limited since its inception in June 2009. She is a member of the Institute of Chartered Accountants in England and Wales.

Tony Curry has been a director since October 2009. Mr. Curry retired from Shell in May 2009 having spent 40 years in Shell Shipping. For the last 12 years Mr. Curry was the Time Charter and Sale and Purchase Manager. Prior to this, Mr. Curry spent seven years in Shell Western Services, Nassau, Bahamas as the Oil Freight Manager. Mr. Curry is very familiar with the international oil and tanker sector and also the growing LNG and LPG areas.

Jens Martin Jensen served as the Acting Chief Executive Officer of Frontline Management AS since April 2008 and was appointed as permanent Chief Executive Officer in May 2009. Mr. Jensen joined Frontline in September 2004 as Commercial Director. From August 1996 to September 2004, Mr. Jensen was a partner in Island Shipbrokers in Singapore. From April 1985 to August 1996, Mr. Jensen worked in the A.P. Moller Group with postings to Singapore, Tokyo, Mexico and Denmark. Mr. Jensen completed the A.P. Moller training program in 1987.

Inger M. Klemp has served as Chief Financial Officer of Frontline Management AS since June 1, 2006. Mrs. Klemp has served as a director of Independent Tankers Corporation Limited since February 2008 and has served as Chief Financial Officer of Knightsbridge Tankers Limited since September 2007. Mrs. Klemp served as Vice President Finance from August 2001 until she was promoted in May 2006. Mrs. Klemp graduated as MSc in Business and Economics from the Norwegian School of Management (BI) in 1986. Mrs. Klemp served as Assistant Director Finance in Color Group ASA from 1998 to 2001 and as Group Financial Manager in Color Line ASA from 1992 to 1998, a Norwegian based cruise operator which was stock listed up to October 1999. From 1989 to 1992 Mrs. Klemp served as Assistant Vice President in Nordea Bank Norge ASA handling structuring and syndication of loan facilities in the international banking market. From 1986 to 1989, Mrs. Klemp served as a lending officer of Fokus Bank ASA.

B. COMPENSATION

During the year ended December 31, 2010, we paid to our directors and executive officers (eight persons) aggregate cash compensation of $1,662,567 and an aggregate amount of $39,398 for pension and retirement benefits. In addition to cash compensation, during 2010 we also recognized stock compensation expense of $990,891 in respect of 320,000 options, which were granted in October 2009 under the Frontline Ltd. Share Option Scheme. All options vest over a three year period beginning in October 2010 and expire in October 2014. The initial exercise price of these options is NOK 145.00, which is reduced by the amount of dividends paid after the date of grant. The exercise price of these options as of December 31, 2010 is NOK 131.65.

C. BOARD PRACTICES

In accordance with our Bye-laws the number of Directors shall be such number not less than two as our shareholders 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. We currently have four Directors.

We currently have an audit committee, which is responsible for overseeing the quality and integrity of our financial statements and its accounting, auditing and financial reporting practices, our compliance with legal and regulatory requirements, the independent auditor's qualifications, independence and performance and our internal audit function. Our audit committee consisted of two members, Mr. Savvides and Mrs. Blankenship, during 2010. Mr. Savvides resigned from the Board of Directors in February 2011.

In lieu of a compensation committee comprised of independent directors, our Board of Directors is responsible for establishing the executive officers' compensation and benefits. In lieu of a nomination committee comprised of independent directors, our Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

Our officers 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 us and any of our Directors providing for benefits upon termination of their employment or service.

As a foreign private issuer we are exempt from certain requirements of the New York Stock Exchange that are applicable to U.S. listed companies. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies listed on the New York Stock Exchange, please see Item 16G or visit the corporate governance section of our website at www.frontline.bm.

D. EMPLOYEES

As of December 31, 2010, Frontline and its subsidiaries employed approximately 70 people in their respective offices in Bermuda, London, Oslo, Singapore and India. We contract with independent ship managers to manage and operate our vessels.

E. SHARE OWNERSHIP

The beneficial interests of our Directors and officers in the Ordinary Shares of Frontline as of February 28, 2011, were as follows:

Director or Officer	Ordinary Shares of $2.50 each	% of Ordinary Shares Outstanding	Options for Ordinary Shares of $2.50 each
John Fredriksen*	*	*	100,000
Cecilie Fredriksen	-	-	-
Kate Blankenship	2,000	**	30,000
Tony Curry	-	-	30,000
Jens Martin Jensen	-	-	50,000

Inger M. Klemp	16,000	**	50,000

* Hemen Holding Ltd, or Hemen, is a Cyprus holding company, which is indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the 26,304,053 Ordinary Shares held by Hemen, except to the extent of his voting and dispositive interest in such shares of common stock. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen.

** Less than one per cent.

The options were granted in October 2009 under the Frontline Ltd. Share Option Scheme, which was approved at the Company's Annual General Meeting on September 25, 2009. All options vest over a three year period beginning in October 2010 and expire in October 2014. The initial exercise price of these options is NOK 145.00, which is reduced by the amount of dividends paid after the date of grant. The exercise price of these options as of December 31, 2010 is NOK 131.65.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table presents certain information as at February 28, 2011, regarding the ownership of our Ordinary Shares with respect to each shareholder whom we know to beneficially own more than five percent of our outstanding Ordinary Shares.

Owner	Ordinary Shares Amount	%
Hemen Holding Ltd. (1)	26,304,053	33.78%
Allianz Global Investors Capital LLC	4,575,500	5.90%

(1) Hemen Holding Ltd, or Hemen, is a Cyprus holding company, which is indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the 26,304,053 Ordinary Shares held by Hemen, except to the extent of his voting and dispositive interest in such shares of common stock. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen.

As of March 9, 2011, 45,397,866 of our Ordinary Shares were held on the New York Stock Exchange.

Our major shareholders have the same voting rights as our other shareholders. No corporation or foreign government owns more than 50% of our outstanding Ordinary Shares. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Frontline.

B. RELATED PARTY TRANSACTIONS

The majority of the Company's leased vessels are leased from Ship Finance and under a Charter Ancillary Agreement; Ship Finance is entitled to a share of 20% of the Company's earnings on these leased vessels. A summary of leasing transactions with Ship Finance during the years ended December 31, 2010, 2009 and 2008 is as follows:

(in thousands of $)	2010	2009	2008
Charterhire paid (principal and interest)	289,578	331,534	345,551
Payments received for termination of leases	2,435	2,386	43,510
Profit share expense	30,566	33,018	110,962
Remaining lease obligation	1,289,897	1,462,753	1,609,987

A summary of net amounts earned (incurred) from related parties excluding the Ship Finance lease related balances above for the years ended December 31, 2010, 2009 and 2008 are as follows:

(in thousands of $)	2010	2009	2008
Seatankers Management Co. Ltd	1,092	1,126	1,175
Golar LNG Limited	1,310	156	17
Golar LNG Energy Limited	88	-	-
Ship Finance International Limited	2,490	2,347	3,430
Golden Ocean Group Limited	6,138	4,253	6,714
Geveran Trading Co Ltd	-	(405)	(366)
Bryggegata AS	(1,368)	(1,300)	(1,395)
Arcadia Petroleum Limited	34,211	42,264	64,784
Seadrill Limited	426	322	25
Seawell Limited	166	126	-

Deep Sea Supply Plc	132	32	-
Aktiv Kapital ASA	83	63	-
CalPetro Tankers (Bahamas I) Limited	47	45	43
Calpetro Tanker (Bahamas II) Limited	47	45	43
Calpetro Tankers (IOM) Limited	47	45	43

Net amounts earned from related parties comprise charterhire, office rental income and management, technical and commercial advisory, newbuilding supervision, corporate and administrative service income and interest income. Net expenses paid to related parties comprise primarily of rental for office space.

A summary of balances with related parties as at December 31, 2010 and 2009 is as follows:

(in thousands of $)	2010	2009
Receivables		
Ship Finance International Limited	1,947	26,944
Seatankers Management Co. Ltd	-	214
Seawell Ltd	51	-
Golar LNG Limited	404	247
Golar LNG Energy Limited	11	-
Northern Offshore Ltd	13	13
Golden Ocean Group Limited	1,075	1,119
Seadrill Limited	109	160
CalPetro Tankers (Bahamas I) Limited	20	11
CalPetro Tankers (Bahamas II) Limited	20	11
CalPetro Tankers (IOM) Limited	20	11
Deep Sea Supply Plc	2	2
Arcadia Petroleum Limited	3,553	11
	7,225	28,743

(in thousands of $)	2010	2009
Payables		
Ship Finance International Limited	(31,448)	(33,158)
Seatankers Management Co. Ltd	(676)	(96)
Golar LNG Limited	(97)	(519)
Golden Ocean Group Limited	(1,057)	(30)
	(33,278)	(33,803)

Receivables and payables with related parties comprise unpaid management, technical advisory, newbuilding supervision, administrative service and rental charges and charterhire payments. In addition, certain payables and receivables arise when the Company pays an invoice on behalf of a related party and vice versa. The payable with Ship Finance also includes unpaid profit share due to Ship Finance. Receivables and payables with related parties are generally settled quarterly in arrears with the exception of profit share due to Ship Finance which is settled annually.

Ship Finance International Limited, Golar LNG Limited, Golar LNG Energy Limited, Northern Offshore Ltd, Seadrill Limited, Bryggegata AS, Golden Ocean Group Limited, Arcadia Petroleum Limited ("Arcadia"), Geveran Trading Co Ltd ("Geveran"), Deep Sea Supply Plc ("Deep Sea"), Aktiv Kapital ASA, Seawell Limited ("Seawell"), and Seatankers Management Co. Ltd are each subject to the significant influence or indirect control of John Fredriksen. CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited and CalPetro Tankers (IOM) Limited

are equity accounted.

During 2008, the Company engaged in the trading of forward freight agreement trading through Arcadia, a related party, for which Arcadia was paid commission on each trade. The total amount of commissions paid to Arcadia in 2008 was $12,500. The Company did not engage in forward freight agreement trading in 2009 and 2010. In addition, the Company earned freights on chartering vessels to Arcadia in the amount of $33.9 million (2009: $42.5 million).

Effective February 5, 2010, Vista International Finance Inc, a wholly owned subsidiary of the Company purchased the VLCC, Front Vista, from Ship Finance for $58.5 million. The Front Vista had been chartered in by the Company. Due to the termination of the charter, a compensation fee of $0.4 million was paid to Ship Finance.

In March 2010, the Company made certain amendments to the charter agreements with Ship Finance relating to 31 double hull crude oil tankers and OBOs, which resulted in our restricted cash deposits being reduced in exchange for a guarantee from us for the payment of charterhire. Withdrawals from these restricted cash deposits will be prohibited. Restricted cash deposits held in respect of the Ship Finance charter reserves decreased by $111.7 million resulting from amendments to the charter agreements and $10.6 million due to reserves no longer required for two vessels. We also made an advance payment of charterhire less operating expenses of $72.8 million covering part of the payments due to Ship Finance over the six months from March 2010.

In March 2010, Ship Finance sold the single hull vessel Golden River to a third party and as a result, terminated the Company's long-term lease for the vessel. The Company received a termination payment of $2.9 million.

In August 2010, Frontline sold 25% of SeaTeam Singapore Pte Limited to Golden Ocean Group Limited for $0.1 million and recognized a gain on sale of $0.2 million in the statement of equity. In addition SeaTeam Singapore Pte Limited received a loan of $0.5 million from Golden Ocean Group Limited, which is repayable over a term of five years and bears interest at 2.5% per annum.

In March 2009, a wholly owned subsidiary of the Company and Ship Finance amended their charter ancillary agreement whereby the charter service reserve totaling $26.5 million relating to vessels on charter from Ship Finance may be in the form of a loan to Ship Finance. In March 2009, a loan in the amount of $26.5 million was drawn down by Ship Finance. The loan bears interest at LIBOR plus a margin and was repaid in 2010.

Geveran acted as a guarantor for two loan facilities taken out by ITCL that expired in July and August 2009. Geveran received an annual fee of 2% of the drawndown facility for acting as guarantor. Both of these facilities were refinanced by ITCL during 2010, with the Company acting as guarantor.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18.

Legal Proceedings

We are 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. We believe that the resolution of such claims will not have a material adverse effect on the Company's operations or financial condition.

Dividend Policy

The timing and amount of dividends, if any, is at the discretion of our Board of Directors. The level of dividend will be guided by present earnings, market prospects, current capital expenditure programs as well as investment opportunities. We have paid the following cash dividends in 2008, 2009 and 2010.

Payment Date		Amount per Share
2008		
March 10, 2008	$	2.00
June 25, 2008	$	2.75
September 19, 2008	$	3.00
December 22, 2008	$	0.50
2009		
March 27, 2009	$	0.25
June 23, 2009	$	0.25
September 24, 2009	$	0.25
December 22, 2009	$	0.15
2010		
March 30, 2010	$	0.25
June 21, 2010	$	0.75
September 24, 2010	$	0.75
December 21, 2010	$	0.25

On February 21, 2011 the Board declared a cash dividend of $0.10 per share for the fourth quarter of 2010 which was paid on March 23, 2011.

B. SIGNIFICANT CHANGES

None.

ITEM 9. THE OFFER AND LISTING

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

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.

	NYSE				OSE	
		High		Low	High	Low
Fiscal year ended December 31,						
2010	$	38.85	$	24.98	NOK 236.70	NOK 146.40
2009	$	33.29	$	15.78	NOK 235.00	NOK 107.00
2008	$	72.36	$	25.00	NOK 376.50	NOK 165.25
2007	$	53.09	$	29.35	NOK 306.00	NOK 183.75
2006	$	44.65	$	28.80	NOK 280.00	NOK 184.00

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.

	NYSE		OSE	
	High	Low	High	Low