FRONTLINE

INTERIM REPORT

APRIL-JUNE 1997

RESULTS

The Frontline Ltd. Group's net result for the first six months of 1997 confirms the positive development in the Group's results. For the first half year 1997, Frontline recorded a profit of USD 1.7 million, compared with a deficit of USD 6.1 million in the equivalent period in 1996. The result for the first half year includes charges in the amount of USD 3.5 million relating to non-recurring expenses in connection with the restructuring of the Group's domicile. Profit for the second quarter only, totals USD 1.2 million, compared with a deficit of USD 3.7 million in the second quarter 1996.

The figures presented for Frontline Ltd. are the financial statements on a proforma combined basis including Frontline Ltd., Frontline Management AS and Frontline AB Group.

The company's operating profit before interest expenses, depreciation and amortisation - EBITDA amounted to USD 25.4 million, compared with USD 9.8 million in the equivalent quarter last year. EBITDA for the first six months totalled USD 48.8 million, compared with USD 21.5 million in the first six months of 1996.

Net financial expenses for the quarter is USD 9.6 million. As at 30 June, Group cash and bank deposits totalled USD 55.4 million. In addition, Frontline had non-utilised credit facilities in the amount of USD 11.0 million.

Average T/C revenues for the eight OBO vessels in the second quarter was USD 27,700 per day, compared with USD 23,000 per day during the same period in 1996. The company's VLCCs recorded average earnings of USD 26,300 per day, while the two Suezmax ships reached average earnings of USD 25,000 per day. All the VLCCs and one of the Suezmax ships were acquired during the fourth quarter 1996, and there are therefore no comparable figures for 1996.

Two VLCCs and three OBOs were dry docked for special survey during the course of the period. The total off-hire period in this connection was 69 days.

THE MARKET

The second quarter saw a strengthening of the positive development in the large tanker market. Following a slight drop in the rate level in April, the market has recovered strongly and in the current market, modern VLCCs can note T/C earnings of USD 40-45,000 per day for a normal round voyage from the Arabian Gulf to East Asia.

A special trend in the development has been the increasing degree of flexibility in the VLCCs' shipping pattern. In addition to the Arabian Gulf, West Africa and the North Sea have become important markets for the fixing of VLCCs. This tendency opens up interesting opportunities for combined voyages. The number of inquiries for period charters has increased during the course of the quarter, and the Directors anticipate a strengthening of this trend.

The positive rate development has reduced scrapping activities and has led to an increase in orders. However, on the positive side, an increasing number of units are tied up on offshore projects.

The market for Suezmax tonnage was stable throughout the entire quarter.

The dry cargo market remains weak, and the OBO ships have mainly been employed in oil transportation during the period. The large number of orders for Cape size vessels has now been considerably depleted through deliveries, and this is expected to result in a gradual improvement in the market.

COMMENTS

The Directors are in general terms satisfied with the development of the Group during the second quarter. The results show that the plan for reducing Group expenses by USD 12 million is being implemented without significant problems. Following the replacement of crew and manager on "Front Breaker" 16 July, the operating expenses for all the company's wholly-owned ships are now at a competitive level.

In addition to the original cost reduction plan, the Group has also achieved a further cutback in costs through the renegotiation of financing and insurance terms. Further savings are estimated to be approx. USD 3 million.

The Directors are not satisfied with the earnings from the company's VLCC tonnage seen in relation to the market rate during the period. The Group is actively addressing this issue, and shareholders should be able to anticipate a significant improvement for the third quarter. As a specific measure for improving earnings, Frontline has concluded a market-related freight agreement with a major Asian petroleum company. This agreement will secure continuous employment for approx. 1.5 VLCC for the next 12 months.

The building up of the Group's organization in Oslo is now almost completed, and 16 persons are currently employed in Frontline Management AS in Oslo.

At the company's extraordinary general meeting held on 14 August, the shareholders gave the meeting final authority to increase the share capital by 10,000,000 shares at NOK 28.15 per share. These shares were guaranteed by four major institutional investors in a private placement executed on 14 July.

The proceeds from the private placement will be used for the equity financing of three Suezmax newbuildings at present being built at the Hyundai yard in Korea. Delivery of these three ships will take place during the period June to August 1998.

Following the implementation of the private placement, there will be a total of 108,284,507 shares outstanding in Frontline Ltd. In addition there are 25,277,993 authorised not issued shares.

Frontline Ltd. is currently holder of 99.7 % of the shares in Frontline AB. Action has been taken against the remaining minority shareholders in order to force a compulsory redemption of their shares. Frontline Ltd. owned as of 30 June, SEK 143 million of the SEK 211 million convertible bond outstanding in Frontline AB. In the period between 30 June and 14 August, Frontline Ltd. has acquired another SEK 39 million of this loan. The premium paid for the acquisition of the total SEK 181 million, amounts to USD 0.7 million and has been booked as a financial cost in the second quarter.

OUTLOOK

The Directors are currently considering several alternatives for the financing of the four VLCC newbuildings in which Frontline holds options. The strengthening of the VLCC market and the competitive cash break even rates the company has achieved after the restructuring has increased the number of alternatives available. The Board is now seriously considering an issue of a non-amortizable long term bond financing.

The current interest level and the bullish market for this type of financing create an opportunity where the requirement for equity financing of the four newbuildings can be wholly or partially eliminated.

In their appraisal, the Directors will look for solutions which will maximize the per share earnings. Furthermore, the Directors consider it important to maintain the strongly increasing confidence shown in Frontline in the banking market.

A final time schedule for the planned listing of the company's shares in the US will be communicated to shareholders during the course of the third quarter. With respect to new business the Board is currently considering different strategic alternatives in order to increase the size and the competitiveness of the company.

Totally it is the Directors opinion that a moderate order book for tanker tonnage and an increase in the consumption of petroleum in Asia provide a good basis for a positive rate development in the coming period. Developments so far in the third quarter very much confirm this trend. The effects of the cost reduction program will be registered in full during the second half of the year.

Based on these observations, the Directors expects a significant improvement in the results for the third quarter.

The profit for the third quarter will be affected positively by the fact that the Group in third quarter has booked gains of USD 3.9 million in connection with the placement of 3.3 million shares pursuant to Frontline's claw-back agreement with BTL and Goldtech.

Bermuda, 14 August, 1997

The Board of Directors
Frontline Ltd

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Income statement (USD 1000)	Frontline Ltd Proforma combined figures		Frontline AB Consolidated		
	1997 April-June	1997 Jan-June	1996 April-June	1996 Jan-June	1996 Jan-Dec
Freight revenues	60721	119561	44482	89235	181689
Voyage expenses	-15158	-30466	-15186	-30265	-67933
Time charter income	**45563**	**89095**	**29296**	**58970**	**113756**
Ship operating expenses	-9096	-22575	-7734	-15636	-32328
Charterhire expenses	-6870	-12010	-10261	-19607	-39260
Other operating items, net	327	398	175	1159	687
Income from operations	**29924**	**54908**	**11476**	**24886**	**42855**
Administrative expenses	-4499	-6106	-1712	-3408	-8315
Result before depreciations, Financial items and taxes	**25425**	**48802**	**9764**	**21478**	**34540**
Depreciation on ships and ship purchase options	-14552	-28398	-7879	-16425	-33140
Net income on sale of ships	0	0	0	0	6110
Net operating result	**10873**	**20404**	**1885**	**5053**	**7510**
Net financial items	-9645	-18693	-5575	-11137	-21954
Income before agio/disagio and taxes	**1228**	**1711**	**-3690**	**-6084**	**-14444**
Taxes	-2	-3	-1	-2	-14
Net profit/loss after tax	**1226**	**1708**	**-3691**	**-6086**	**-14458**

Balance sheet (USD 1000)	1997 June 30	1996 June 30	1996 December 31
Assets			
Cash and bank deposits	55427	62922	57859
Other current assets	38445	22089	29065
Ships and ship purchase options	799189	427336	827749
Other assets	1829	1015	1900
Total assets	**894890**	**513362**	**916573**
Stockholders' equity and liabilities			
Short-term liabilities	86615	58474	83194
Long-term liabilities	465272	262268	473664
Convertible debenture loan	8767	31829	30714
Minority interests	906	0	0
Equity	333331	160791	329001
Total stockholders' equity and liabilities	**894890**	**513362**	**916573**

The financial statement is set up according to Swedish GAAP. The interim report for the third quarter will be presented in accordance with US GAAP. The figures have been recalculated to US dollars based on average exchange rate for profit/loss accounts, and the exchange rate on the balance date for the balance sheet.

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