FRONTLINE ANNOUNCES BEST QUARTER EVER

At a meeting held on August 31, 1998, in Hamilton, Bermuda, the Board of Directors of Frontline Ltd. reviewed and approved the Company's result for the second quarter and first six months of 1998. The Board is pleased to report a further improvement in the reported profits and its satisfaction with the level of earnings achieved in the second quarter. The second quarter results are the best quarterly results announced by the Company ever.

During the quarter under review, the Company acquired control of three shipowning structures thereby adding six VLCC newbuildings and four modern Suezmaxes to its fleet. These structures include entities that have completed a series of Bond issues and entities that are parties to various capital and operating lease transactions (the "Independent Tankers Entities"). The results of these entities have been consolidated with effect from May 12, 1998 and for the period until the quarter end have had little impact on the net income for the quarter. There has however, been an impact on the Balance Sheet and the significant items introduced by this acquisition are clearly identified as separate line items. Frontline Ltd. has not given any kind of guarantees for the financial performance of the Independent Tankers Entities.

SECOND QUARTER AND SIX MONTH RESULTS

Frontline reports net income of $14.7 million for the second quarter of 1998, compared with $1.4 million for the second quarter of 1997. Earnings per Ordinary Share for the quarter were $0.03, (1997 -$0.004). The weighted average number of shares outstanding for the quarter and at June 30, 1998 was 461,068,609 (as at June 30, 1997 and for the quarter then ended – 321,619,557).

Earnings before interest, tax and depreciation, for the quarter, including earnings from associated companies were $33.6 million, compared with $25.0 million for the comparable period. This increase reflects the increased size of the fleet and improved trading of the VLCCs, offset by a decrease in the earnings for the OBOs. Net operating revenues were adversely affected by the drydocking of two VLCCs in the quarter, resulting in a total of 31 days off-hire. This compares with a total of 69 days off-hire for drydockings for the same period in 1997. Partially offsetting the days off-hire in the 1998 period was the contribution from the Suezmax newbuilding, the Front Fighter, which was delivered, and commenced trading, on May 28.

The average daily TCEs earned by the VLCCs, Suezmax tankers, and OBO carriers were $37,200, $26,200 and $24,000, respectively, compared with $26,300, $25,000 and $27,700 in the second quarter of 1997. Further reduction of the average daily operating costs has been achieved in the second quarter. Depreciation has decreased, both for the quarter and six month period, due to the change in the depreciation schedule for the fleet from 20 to 25 years.

Net other expenses for the quarter were $7.2 million (1997 - $9.1 million), of which the net effect of the Independent Tankers Entities is less than $0.5 million. This decrease reflects the dividend of $5.3 million received in April 1998 in respect of the Company's investment in ICB Shipping. Offsetting this is an increase in net interest expense associated with the increase in overall debt levels relating to fleet expansion and the acquisition of shares in LOF and ICB in the second half of 1997.

Net income for the six months ended June 30, 1998 increased to $23.9 million from $2.0 million in the first six months of 1997. Earnings per Ordinary Share for the period were $0.05, (1997 - $0.006) and the weighted average number of shares outstanding was 461,066,109 (1997 – 321,619,557).

Earnings before interest, tax and depreciation, for the six months, including earnings from associated companies were $67.6 million, compared with $48.6 million for the comparable period. If the majority holding position in ICB had been consolidated into Frontline's accounts on an equity accounting basis for the first half year of 1998, it would have increased EBITDA to approximately $84.0 million.

The average daily TCEs earned by the VLCCs, Suezmax tankers, and OBO carriers were $33,300, $25,800 and $25,700 compared with $25,300, $25,100 and $26,500 in the first six months of 1997. The increase in earnings, as for the quarter, is attributable to the expanded fleet and improved trading results, particularly in the VLCC sector. In addition, the first six months of 1997 were adversely affected by a non-recurring charge of $3.5 million incurred in connection with the change of domicile.

Net other expenses for the six months were $20.4 million (1997 - $18.3 million). This increase reflects the increased level of debt as discussed above, offset by the ICB dividend.

The Board is pleased to see the increased relative results achieved by the Company's chartering department. It is also pleased to observe the way the Company has been able to substantially lower operating costs in the last year. The results of the chartering operations reflect a different positioning of the Company's fleet as well as a larger number of freight contracts.

THE MARKET

The large tanker market was affected by three major factors in the second quarter:

1. Higher than anticipated production from OPEC, particularly Arabian Gulf OPEC, including Iraq, led to increased storage and lower oil price.
2. Total oil demand increased by approximately 1.8 per cent, supported by strong demand from Europe, China and the United States. Other Asian demand remained weak.
3. Limited deliveries of newbuildings (seven VLCCs and eight Suezmaxes), combined with limited scrapping/conversions (five VLCCs and nine Suezmaxes) kept a balanced fleet in the first half of 1998.

As a result of these factors, the VLCC segment showed continued strong earnings with stable daily TCE rates in the $35,000 to $40,000 range. Rates in the Suezmax segment were a lot more volatile and the daily TCE rates ranged between $15,000 and $30,000 in the quarter. The Suezmax market showed a negative trend in the quarter mainly caused by large U.S. inventories of sweet West African crude, but also influenced by the negative development in the Aframax market.

Newbuilding prices and second hand prices showed a falling trend in the quarter, mainly caused by weak demand for newbuildings combined with the currency effects created by the weak Won and Yen.

CORPORATE AND OTHER MATTERS In May 1998, the first of three Suezmax newbuildings was delivered and commenced trading in the voyage market. In July 1998, the remaining two Suezmax newbuildings were delivered and joined their sister ship on profitable initial voyages in the voyage market. In July 1998, the first of the five VLCC C-class newbuildings was delivered. The newbuildings have all been well received by the charterers in the market. The Company scrapped one of its woodchip vessels in the second quarter, thereby recorded a gain of approximately $222,000.

As noted above, Frontline received a dividend of $5.3 million from ICB in April 1998. At June 30, 1998 the Company's investment in ICB represented approximately 52.3 per cent and 31.8 per cent of ICB's share capital and voting power, respectively. Frontline reported in a filing to Stockholm Fondbørs dated August 5, 1998, that the position had been increased to exceed 55 per cent of the shares and 33.3 per cent of the votes. Since that date, the holding in ICB has been increased further. Since the end of the second quarter, Frontline has taken certain actions in order to activate a full merger discussion between Frontline and ICB. The administration of ICB has so far not responded positively to such a proposal.

In order to be able to expand Frontline, the Company is dependent on an effectively priced equity. It is a concern for the Board that market pricing of the Company's equity substantially undervalues the current value of the underlying assets. As of August 8, 1998, the Company's equity trades at less than 33 per cent of the Company's equity book value. The Board continues to monitor the development carefully and will actively seek to find strategic alternatives in order to minimise the long-term negative consequences for the shareholders. At the same time, the Board views the recent weakness in world wide shipping shares as an interesting opportunity for further consolidation of the market.

The financing of the Company's three Suezmaxes and the first VLCC newbuildings have been provided and arranged by major international banks, at attractive terms for the Company. The financing of the investment in ICB has been extended until September 1999. Different proposals for the financing of the four VLCCs due for delivery in the first half of 1999 have been reviewed and are under discussion. The Board remains confident that a competitive financing package will be arranged before the end of this year.

Frontline has recently entered into a chartering joint venture with BP whereby Frontline will allocate three of the Company's VLCCs to BP for the next two years. This is in addition to the four VLCC newbuildings that Frontline will charter to BP through one of the Independent Tankers Entities. The three ships will earn a market-related rate with an additional shared premium for effective trading. Frontline sees the agreement with the new BP/Amoco group as a major achievement and a great sign of confidence.

The BP agreement comes in addition to similar deals concluded with Korean and Japanese majors. It confirms that the efforts invested in building Frontline into the world's largest operator of modern, high quality tanker tonnage is highly acknowledged by our customers. Such an achievement positions Frontline well to generate long-term superior earnings.

The Board advises that the 1998 Annual General Meeting will be held in Hamilton, Bermuda on October 19, 1998. At this Meeting, shareholders will be asked to approve a proposal for a reverse stocksplit of 10:1 of the Frontline share.

OUTLOOK

In view of the general uncertainty in the market, the Board will, in the coming period, focus on alternative ways to strengthen the Company's balance sheet. A stronger balance sheet can be achieved through increased charter coverage, stronger operating cashflow, extended amortisation profiles, asset sales or further injection of equity either through cash injection or through mergers or acquisitions involving full or partial equity consideration. A stronger equity basis is a material condition in order to be able to benefit from the opportunities created by the world-wide weakness in international shipping shares.

Based on the developments so far in the third quarter, it is expected that the third quarter will show a stable to positive development in the operating profit. The increased fleet and strong VLCC earnings create the basis for such an assumption. The Suezmax market and OBOs have so far shown lower TCE earnings than in the second quarter. The results for the OBOs have suffered from the fact that one of the Company's refinery clients has been unable to obtain access to the right feed stock in the Arabian Gulf. This has reduced the trading between the Arabian Gulf and the U.S. Gulf. The OBOs' results will however, be positively influenced by the re-let of some of the Company's long-term dry cargo contracts.

The development in the remainder of the year will be largely decided by the extent to which the agreed OPEC production cuts become effective.

Through the Company's low operating costs, superior relative chartering results and flexible financing structure, the Company is competitively positioned to meet whatever market situation it may face.

August 31, 1998
The Board of Directors
Frontline Ltd.
Hamilton, Bermuda

Questions should be directed to:

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http://www.huginonline.com/

Interim report second quarter Frontline Group (unaudited)

1997 Apr-Jun	1998 Apr-Jun	Income statement (USD 1000)	1998 Jan-Jun	1997 Jan-Jun	1997 Jan-Dec
59 451	67 778	Freight revenues	138 138	116 666	259 695
-15 158	-15 337	Voyage expenses	-33 001	-30 466	-62 498
44 293	**52 441**	**Net operating revenues**	**105 137**	**86 200**	**197 197**
0	222	Gain from sale of vessels	222	0	0
-8 365	-13 765	Ship operating expenses	-28 103	-21 113	-48 076
-6 870	-3 401	Charterhire expenses	-7 168	-12 010	-25 734
-5 248	-2 672	Administrative expenses	-4 323	-6 799	-11 190
23 810	**32 825**	**Operating profit before depreciation**	**65 765**	**46 278**	**112 197**
-14 514	-11 640	Depreciation	-23 304	-28 323	-56 721
9 296	**21 185**	**Operating profit after depreciation**	**42 461**	**17 955**	**55 476**
1 156	610	Interest income	1 628	1 837	3 126
0	5 282	Interest income, restricted cash *	5 282	0	0
0	2 621	Finance lease interest *	2 621	0	0
-10 003	-12 946	Interest expense	-27 559	-20 088	-45 945
0	-7 968	Interest expenses on term and serial notes *	-7 968	0	0
0	5 324	Dividends	5 324	0	0
1 143	737	Results from associated companies	1 793	2 286	4 598
-224	-122	Other financial items	269	0	183
1 368	**14 723**	**Income before taxes**	**23 851**	**1 990**	**17 438**
-2	0	Taxes	0	-3	-43
1 366	**14 723**	**Net profit/loss after tax**	**23 851**	**1 987**	**17 395**
		Earnings per Share (USD)			
0.004	0.03	Basic and diluted	0.05	0.006	0,05
		Income on timecharter basis (USD per day per ship)			
26 300	37 200	VLCC	33 300	25 300	32 700
25 000	26 200	Suezmax	25 800	25 100	24 800
27 700	24 000	OBO	25 700	26 500	25 500

Basis = Calendar days minus off-hire. Figures after deduction of broker commission

Balance sheet (USD 1000)	1998 Jun 30	1997 Jun 30	1997 Dec 31
Assets			
Short term			
Cash and bank deposits	105 995	55 567	86 870
Restricted cash *	433 934	0	0
Marketable securities	135 201	24	187 231
Current portion of net investment in direct finance lease *	17 573	0	0
Other current assets	39 706	35 883	33 602
Long term			
Net investment in direct finance lease *	217 348	0	0
Newbuildings	132 908	0	48 474
Newbuildings *	97 341	0	0
Prepaid lease payments *	16 569	0	0
Vessel and equipment, net	999 611	803 427	970 590
Associated companies	2 778	4 755	3 754
Deferred charges and other assets	12 473	1 659	2 603
Total assets	**2 211 437**	**901 315**	**1 333 124**
Stockholders' equity and liabilities			
Short term			
Interest payable *	26 676	0	0
Current portion of serial notes *	18 160	0	0
Short term interest bearing debt	156 915	51 233	247 072
Other current liabilities	36 255	37 267	35 757
Long term			
Term notes *	484 100	0	0
Serial notes *	259 260	0	0
Long term interest bearing debt	737 730	476 932	526 078
Other long term liabilities	1 844	0	4 933
Stockholders' equity	490 497	335 883	519 284
Total stockholders' equity and liabilities	**2 211 437**	**901 315**	**1 333 124**

* This indicates material items related to the Independent Tankers Entities