

**Hamilton, Bermuda, October 31** - London & Overseas Freighters Limited (NASDAQ National Market: LOFSY; London Stock Exchange: LOFS) announces its results and review of the second quarter ended September 30, 1997.

As previously announced, LOF and Frontline Ltd. (Oslo Stock Exchange: FRO) have agreed to a business combination involving a two-step transaction, (i) a cash tender offer by Frontline for a minimum of 50.1% and a maximum of 90% of LOF's outstanding Ordinary Shares (including American Depositary Shares, each representing ten Ordinary Shares) and related rights, which tender offer expired on October 28, 1997 with approximately 58.8 million Ordinary Shares having been validly tendered, representing approximately 80% of the outstanding Ordinary Shares, followed by (ii) an amalgamation between Frontline and a wholly-owned subsidiary of LOF, subject to certain terms and conditions.

Also, as previously announced, LOF has agreed the sale of its fleet of three Panamax tankers to clients of Pegasus Shipping. The gross proceeds of the sale are \$51.5 million. Based on estimated book values as of the middle of December 1997, the expected time of delivery, LOF will record a profit on sale of the vessels of approximately \$30 million.

### **Second Quarter Results**

LOF reports a net loss of \$2,412,000 for the second quarter, compared with net income of \$144,000 for the equivalent prior period. Earnings per Ordinary Share were (\$0.032) (equivalent to (\$0.32) per American Depositary Share), compared with \$0.002 (equivalent to \$0.02 per ADS) for the prior period.

Net operating income for the quarter was \$1,831,000, compared with \$2,121,000 for the prior period.

Net operating income for our Panamax fleet decreased by \$782,000 to a net operating loss of \$458,000. The average daily time charter equivalent ("TCE") earned increased to \$14,500 in the quarter from \$13,500 in the prior period. However, there were an additional 40 days offhire for scheduled drydockings in the quarter as two vessels undertook their third special survey. Increased costs of these drydockings, combined with higher vessel operating costs also contributed to the reduction in net operating income.

Net operating income for our Suezmax fleet increased by \$492,000 to \$2,289,000, the main component being an increase in net operating revenues. The TCE earned in the quarter was \$26,500, up from \$25,000 in the prior period.

Net other expenses for the quarter were \$4,240,000, compared with \$1,977,000 in the prior period. The main component of the increase was \$2,568,000 of amalgamation costs in relation to the Frontline transaction. Additionally, reduced debt and increased cash resulted in lower net interest expense.

### **Half Year Results**

LOF reports a net loss of \$401,000 for the half year, compared with net income of \$549,000 for the equivalent prior period. Earnings per Ordinary Share were (\$0.005) (equivalent to (\$0.05) per ADS), compared with \$0.007 (equivalent to \$0.07 per ADS) for the prior period.

Net operating income for the half year was \$5,610,000, compared with \$4,598,000 for the equivalent prior period.

Net operating income for our Panamax vessels decreased by \$503,000 to \$440,000, the main component again being a reduction in net operating

revenues. The TCE earned increased to \$15,500 in the half year from \$13,500 in the prior period, offset by the increase in days offhire for drydocking. Increased drydocking costs, vessel operating costs and administrative expenses contributed to the reduction in net operating income.

Net operating income for our Suezmax fleet increased by \$1,515,000 to \$5,170,000, primarily due to the increase in TCE to \$28,000, up from \$25,000 in the prior period.

Net other expenses for the year were \$5,981,000, compared with \$4,038,000 in the prior period for the same reasons as the quarter.

### **Overview**

As predicted in last quarter's report, some temporary weakness in market rates and the offhire associated with the drydockings and special surveys on the *London Spirit* and *London Victory* have substantially reduced our net operating income compared with last quarter's result. In addition, following the successful conclusion of Frontline's tender offer, we have charged the majority of the costs and fees of our amalgamation process to this quarter's result.

Since the quarter's end, trading has again improved, particularly for our Suezmax vessels. This market strength has been especially evident for modern VLCCs for voyages from the Arabian Gulf to Asia.

We are pleased to report the sale of our Panamax vessels, following the quarter's end, at a very satisfactory price, which will generate a substantial profit next quarter. The level achieved supports our operating policies, which have maintained our vessels to a high standard.

It is evident that in the coming months, modern vessels will be in short supply to meet the growing demand for oil transportation driven by strong increases in oil consumption. Prospects, therefore, remain good for the tanker industry in the time ahead. Now, as part of Frontline, one of the largest modern tanker owners, we are well placed to benefit from these market developments.

We look forward to a new and interesting future for LOF.

**Miles A. Kulukundis**  
Director

Following the sale of the Panamax tankers, LOF will operate three Suezmax tankers with an aggregate dwt of approximately 0.4 million. LOF's fleet operates in the crude oil and oil products trades with a principal concentration on serving U.S. and European import and export requirements.

**London & Overseas Freighters Limited**

**Consolidated Statements of Income**

(unaudited)

(in thousands, except per share and per ADS data)

	Three months to September 30,		Six months to September 30,	
	1997	1996	1997	1996
<b>Operating revenues</b>				
Time charter income	\$ 4,264	\$ 4,493	\$ 8,500	\$ 8,861
Voyage charter income	<u>9,050</u>	<u>9,225</u>	<u>20,921</u>	<u>19,160</u>
<b>Total charter income</b>	<b>13,314</b>	<b>13,718</b>	<b>29,421</b>	<b>28,021</b>
Vessel voyage costs	(2,711)	(3,237)	(6,200)	(6,653)
Brokers' commission	<u>(362)</u>	<u>(413)</u>	<u>(872)</u>	<u>(856)</u>
<b>Net operating revenues</b>	<b><u>10,241</u></b>	<b><u>10,068</u></b>	<b><u>22,349</u></b>	<b><u>20,512</u></b>
<b>Operating expenses</b>				
Vessel operating costs	3,651	3,512	7,227	6,976
Depreciation	3,200	3,196	6,396	6,387
Drydocking and special survey costs	776	568	1,272	1,121
Administrative expenses	780	682	1,859	1,452
Foreign exchange loss (gain)	3	(11)	(15)	(22)
<b>Total operating expenses</b>	<b><u>8,410</u></b>	<b><u>7,947</u></b>	<b><u>16,739</u></b>	<b><u>15,914</u></b>
<b>Net operating income</b>	<b><u>1,831</u></b>	<b><u>2,121</u></b>	<b><u>5,610</u></b>	<b><u>4,598</u></b>
<b>Other income (expenses)</b>				
Interest income	323	202	625	404
Interest expense	(1,995)	(2,179)	(4,038)	(4,442)
Amalgamation costs	<u>(2,568)</u>	<u>-</u>	<u>(2,568)</u>	<u>-</u>
<b>Net other expenses</b>	<b><u>(4,240)</u></b>	<b><u>(1,977)</u></b>	<b><u>(5,981)</u></b>	<b><u>(4,038)</u></b>
<b>Net income before income taxes</b>	<b><u>(2,409)</u></b>	<b><u>144</u></b>	<b><u>(371)</u></b>	<b><u>560</u></b>
Income taxes	3	-	30	11
<b>Net income</b>	<b><u>\$ (2,412)</u></b>	<b><u>\$ 144</u></b>	<b><u>\$ (401)</u></b>	<b><u>\$ 549</u></b>
<b>Earnings per Ordinary Share and share equivalent</b>	<b><u>\$ (0.032)</u></b>	<b><u>\$ 0.002</u></b>	<b><u>\$ (0.005)</u></b>	<b><u>\$ 0.007</u></b>
<b>Earnings per ADS and ADS equivalent</b>	<b><u>\$ (0.32)</u></b>	<b><u>\$ 0.02</u></b>	<b><u>\$ (0.05)</u></b>	<b><u>\$ 0.07</u></b>
<b>Dividends per Ordinary Share</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Dividends per ADS</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Weighted average number of Ordinary Shares and share equivalents outstanding</b>	<b><u>74,634</u></b>	<b><u>74,766</u></b>	<b><u>74,688</u></b>	<b><u>74,688</u></b>
<b>Weighted average number of ADSs and ADS equivalents outstanding</b>	<b><u>7,463</u></b>	<b><u>7,477</u></b>	<b><u>7,469</u></b>	<b><u>7,469</u></b>

**London & Overseas Freighters Limited**  
**Consolidated Balance Sheets**  
(in thousands)

	<b>September</b>	<b>March</b>
	<b>30, 1997</b>	<b>31, 1997</b>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 26,279	\$ 20,559
Trade accounts receivable	2,729	3,887
Other receivables	380	389
Inventories	1,568	1,527
Prepaid expenses and accrued income	519	469
<b>Total current assets</b>	<u>31,475</u>	<u>26,831</u>
<b>Vessels and equipment, net</b>	<b>201,197</b>	<b>207,342</b>
<b>Deferred charges</b>	<b>659</b>	<b>740</b>
<b>Total assets</b>	<u><b>\$233,331</b></u>	<u><b>\$234,913</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 9,705	\$ 9,705
Trade accounts payable	1,922	38
Accrued expenses	6,662	4,926
Time charter income received in advance	1,352	-
Income taxes payable	40	11
Drydocking and special survey provisions	2,531	2,219
<b>Total current liabilities</b>	<u>22,212</u>	<u>16,899</u>
<b>Long-term liabilities</b>		
Long-term debt	92,196	97,049
Drydocking and special survey provisions	237	1,536
<b>Total liabilities</b>	<u>114,645</u>	<u>115,484</u>
<b>Shareholders' equity</b>		
Share capital	18,431	18,431
Capital in excess of par value	77,829	77,915
Warrants	530	683
Retained earnings	21,896	22,400
<b>Total shareholders' equity</b>	<u>118,686</u>	<u>119,429</u>
<b>Total liabilities and shareholders' equity</b>	<u><b>\$233,331</b></u>	<u><b>\$234,913</b></u>

**London & Overseas Freighters Limited**  
**Consolidated Statements of Cash Flows**  
(unaudited)  
(in thousands)

	<b>Six months to September 30,</b>	
	<b>1997</b>	<b>1996</b>
<b>Operating activities</b>		
Net income	\$ (401)	\$ 549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,396	6,387
Amortisation of deferred charges	81	92
(Increase) decrease in trade accounts receivable	1,158	1,009
(Increase) decrease in other receivables	9	(99)
(Increase) decrease in inventories	(41)	93
(Increase) decrease in prepaid expenses and accrued income	(50)	(25)
Increase (decrease) in trade accounts payable	1,884	(899)
Increase (decrease) in accrued expenses	1,736	261
Increase (decrease) in time charter income received in advance	1,352	1,519
Increase (decrease) in income taxes payable	29	12
Increase (decrease) in drydocking and special survey provisions	(987)	398
<b>Net cash provided by (used in) operating activities</b>	<u>11,166</u>	<u>9,297</u>
<b>Investing activities</b>		
Additions to vessels and equipment	(251)	(163)
<b>Net cash provided by (used in) investing activities</b>	<u>(251)</u>	<u>(163)</u>
<b>Financing activities</b>		
Repayments of long-term debt	(4,853)	(4,852)
Repurchase of warrants	(342)	-
<b>Net cash provided by (used in) financing activities</b>	<u>(5,195)</u>	<u>(4,852)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>5,720</u>	<u>4,282</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>20,559</u>	<u>14,773</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 26,279</u>	<u>\$ 19,055</u>

London & Overseas Freighters Limited  
Consolidated Statements of Shareholders' Equity  
(unaudited)  
(in thousands)

	Ordinary Share Capital	Capital in Excess of Par Value	Warrants	Retained Earnings
Balance at March 31, 1996	\$ 18,431	\$ 77,915	\$ 683	\$ 20,431
Net income	-	-	-	549
Balance at September 30, 1996	<u>\$ 18,431</u>	<u>\$ 77,915</u>	<u>\$ 683</u>	<u>\$ 20,980</u>
Balance at March 31, 1997	\$ 18,431	\$ 77,915	\$ 683	\$ 22,400
Repurchase of warrants	-	(86)	(153)	(103)
Net income	-	-	-	(401)
Balance at September 30, 1997	<u>\$ 18,431</u>	<u>\$ 77,829</u>	<u>\$ 530</u>	<u>\$ 21,896</u>