

[London & Overseas Freighters Limited Letterhead]

April 10, 1998

TO THE SHAREHOLDERS OF LONDON & OVERSEAS FREIGHTERS LIMITED

Enclosed is a Notice of a Special General Meeting of Shareholders ("Notice") of London & Overseas Freighters Limited (the "Company") which will be held at Mercury House, 101 Front Street, Hamilton, Bermuda on Monday, May 11, 1998 at 11:30 A.M. (Bermuda time).

At the Special General Meeting, among other things, shareholders of the Company will consider and vote upon an increase in the authorized ordinary share capital of the Company, par value \$0.25 per share ("LOF Ordinary Shares"), the issuance of LOF Ordinary Shares and warrants of the Company in connection with an agreement and plan of amalgamation dated as of September 19, 1997, as amended (the "Amalgamation Agreement"), providing for the amalgamation of Dolphin Limited ("Sub"), which is a wholly-owned subsidiary of the Company, with Frontline Ltd. ("Frontline") (the "Amalgamation") and the sale (the "Sale") at fair market value of all of the assets and liabilities of Frontline to the Company. Pursuant to the Amalgamation Agreement, the Company shall adopt the name "Frontline Ltd." and Frontline's Bye-Laws. If the Amalgamation becomes effective, the amalgamated company resulting from the Amalgamation will immediately become a wholly-owned subsidiary of the Company and holders of Frontline's ordinary shares, par value \$1.00 per share ("Frontline Ordinary Shares"), will be entitled to receive, in exchange for each Frontline Ordinary Share held by them, (i) 3.2635 LOF Ordinary Shares with associated rights to purchase 1/4 of one LOF Ordinary Share ("Rights") and (ii) 0.1902 of a newly issued warrant ("New Warrant") to purchase one LOF Ordinary Share with associated Rights, assuming 136,701,507 Frontline Ordinary Shares outstanding (the number of shares outstanding as of November 25, 1997) and no Frontline shareholders will have perfected their dissenters' rights as of the effective time of the Amalgamation. Only whole LOF Ordinary Shares and whole New Warrants will be issued in the conversion and exchange of Frontline Ordinary Shares. The affirmative vote of the holders of not less than a majority of the LOF Ordinary Shares present in person or by proxy and entitled to vote at the Special General Meeting shall be required to approve the matters set forth above, except that approval by 66 2/3% of the outstanding LOF Ordinary Shares shall be required to approve the adoption of Frontline's Bye-Laws. Shareholders of the Company (other than Frontline) will retain their existing LOF Ordinary Shares after the Amalgamation. Based on the current number of outstanding shares of Frontline and the Company and disregarding the New Warrants to be issued in connection with the Amalgamation, the Company's current shareholders (not including Frontline) will, after the Amalgamation, own approximately 3.2% of the outstanding LOF Ordinary Shares.

These important transactions represent both a financial and strategic opportunity for the Company. I believe that the Amalgamation and Sale also create potentially significant operating, purchasing, marketing and chartering synergies which serve to increase vessel utilization, reduce costs and gain access to new markets. Together, the combined company will embark on a strategy to become one of the largest publicly traded tanker owning companies in the world.

On November 3, 1997, pursuant to the Amalgamation Agreement, seven members of the Board of Directors of the Company resigned. Four directors designated by Frontline were at that time elected to the

Company's Board and two existing directors of the Company continued to serve on the Board constituting the present Board of Directors of the Company. In addition, I was appointed the Chairman and Chief Executive Officer of the Company. The Company's Board of Directors believes that the proposed Amalgamation and Sale, upon the terms and conditions set forth in the Amalgamation Agreement described in the accompanying Joint Proxy Statement/Prospectus, are in the best interests of the shareholders of the Company and therefore has recommended that you vote in favor of increasing the authorized share capital of the Company and the issuance of LOF Ordinary Shares and New Warrants to the shareholders of Frontline in connection with the Amalgamation. Additional information regarding the Company proposals is set forth in the enclosed Joint Proxy Statement/Prospectus, and I urge you to read this material carefully.

Frontline presently holds approximately 79.7% of the issued and outstanding LOF Ordinary Shares and has agreed to vote its shares in favor of the Proposals set forth in the attached Notice.

You are cordially invited to attend the meeting in person. Whether or not you plan to attend the Special General Meeting, please sign, date and return as soon as possible the enclosed proxy in the enclosed stamped, self-addressed envelope. If you attend the meeting, you may revoke your proxy and vote your shares in person.

Very truly yours,

/s/ John Fredriksen
John Fredriksen,
Chairman and
Chief Executive Officer

LONDON & OVERSEAS FREIGHTERS LIMITED
Mercury House
101 Front Street
Hamilton HM 12, Bermuda

**NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS
MONDAY, MAY 11, 1998**

TO THE SHAREHOLDERS OF LONDON & OVERSEAS FREIGHTERS LIMITED

NOTICE IS HEREBY given that a special general meeting (the "Special General Meeting") of London & Overseas Freighters Limited (the "Company") will be held on Monday, May 11, 1998, at 11:30 A.M., Bermuda time, at Mercury House, 101 Front Street, Hamilton, Bermuda, for the following purposes, all of which are more completely set forth in the accompanying Joint Proxy Statement/Prospectus:

1. To amend the Company's Memorandum of Association in order to increase the authorized share capital of the Company and to approve the issuance of ordinary shares of the Company in connection with an agreement and plan of amalgamation dated as of September 19, 1997, as amended, by and among Frontline Ltd., a Bermuda company ("Frontline"), Dolphin Limited, a Bermuda wholly-owned subsidiary of the Company ("Sub"), and the Company (the "Amalgamation Agreement") pursuant to which Sub will amalgamate with Frontline (the "Amalgamation"), the separate corporate existence of Frontline and Sub will cease, the amalgamated company resulting from the Amalgamation will become a wholly-owned subsidiary of the Company, the holders of the issued and outstanding shares of Frontline ("Frontline Ordinary Shares") will receive (i) ordinary shares of the Company ("LOF Ordinary Shares") with associated rights to purchase 1/4 of one LOF Ordinary Share and (ii) 0.1902 of a newly issued warrant to purchase one LOF Ordinary Share for each Frontline Ordinary Share held by them, assuming there are outstanding 136,701,507 Frontline Ordinary Shares as of the effective time of the Amalgamation and no holder of Frontline Ordinary Shares has perfected dissenters' rights, and the assets and liabilities of the amalgamated company will thereupon be sold at fair market value to the Company (the "Sale").
2. Effective as of the date of the Sale, to rescind the Company's Bye-Laws in their entirety and approve the adoption of Frontline's amended and restated Bye-Laws in their entirety as the Bye-Laws of the Company.
3. Effective as of the date of the Sale, to approve the change of the name of the Company to "Frontline Ltd."
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Resolution numbers one and three are ordinary resolutions, approval of which will require the affirmative vote of a majority of the votes cast, while resolution number two is a special resolution, approval of which will require the affirmative vote of 66 2/3% of the outstanding LOF Ordinary Shares.

The Company's Board of Directors has fixed the close of business on April 6, 1998, as the record date for the determination of the shareholders entitled to receive notice of the Special General Meeting or any adjournment thereof. Each registered holder of LOF Ordinary Shares on the date of the Special General Meeting, however, will be entitled to vote at the Special General Meeting and will be entitled to appoint one or more proxies to attend and vote in such shareholder's place.

Holders of LOF Ordinary Shares and American Depositary Shares of the Company have no dissenters' rights pursuant to Section 106(6) of The Companies Act of 1981 of the Islands of Bermuda, as amended. See "Company Proposal 1 - Amendment to the Company's Memorandum of Association to Increase the Authorized Share Capital and Issuance of Ordinary Shares in Connection with the Amalgamation - Dissenters' Rights" in the accompanying Joint Proxy Statement/Prospectus. Frontline holds approximately 79.7% of the outstanding LOF Ordinary Shares and has agreed to vote its shares for Proposals 1, 2, and 3 set forth above. Frontline has sufficient voting power (and has agreed to vote its LOF Ordinary Shares) to secure the required approval of the Company's shareholders in connection with the Company Proposals without the affirmative vote of any other shareholder of the Company.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL GENERAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE POSTAGE IF MAILED IN THE UNITED STATES OR THE UNITED KINGDOM. THE VOTE OF EVERY SHAREHOLDER IS IMPORTANT AND YOUR COOPERATION IN RETURNING YOUR EXECUTED PROXY PROMPTLY WILL BE APPRECIATED. ANY SIGNED PROXY RETURNED AND NOT COMPLETED WILL BE VOTED BY THE CHAIRMAN IN FAVOR OF ALL PROPOSALS PRESENTED BY THE BOARD.

If you attend the Special General Meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,

/s/ Kate Blankenship
Kate Blankenship,
Secretary

April 10, 1998

[Frontline Ltd. letterhead]

April 10, 1998

TO THE SHAREHOLDERS OF FRONTLINE LTD.

Enclosed is a Notice of a special general meeting (the "Special General Meeting") of Shareholders of Frontline Ltd. ("Frontline") which will be held at Mercury House, 101 Front Street, Hamilton, Bermuda on Monday, May 11, 1998, at 11:00 A.M. (Bermuda time).

At the Special General Meeting, among other things, shareholders of Frontline will consider and vote upon an Agreement and Plan of Amalgamation dated as of September 19, 1997, as amended (the "Amalgamation Agreement"), providing for the amalgamation (the "Amalgamation") of Frontline with Dolphin Limited ("Sub"), which is a wholly-owned subsidiary of London & Overseas Freighters Limited (the "Company"). If the Amalgamation becomes effective, the amalgamated company resulting from such Amalgamation will immediately become a wholly-owned subsidiary of the Company, holders of Frontline's ordinary shares, par value \$1.00 ("Frontline Ordinary Shares"), will be entitled to receive in exchange for each of their Frontline Ordinary Shares (i) 3.2635 ordinary shares, par value \$0.25 ("LOF Ordinary Share"), with associated rights to purchase 1/4 of one LOF Ordinary Share for each Frontline Ordinary Share held by them ("Rights") and (ii) 0.1902 of a newly issued warrant ("New Warrant") to purchase one LOF Ordinary Share with associated Rights assuming there are outstanding 136,701,507 Frontline Ordinary Shares as of the effective time of the Amalgamation and no holder of Frontline Ordinary Shares has perfected dissenters' rights. Only whole LOF Ordinary Shares and whole warrants will be issued in the conversion and exchange of Frontline Ordinary Shares. The amalgamated company shall thereupon sell at fair market value all of its assets and liabilities to the Company (the "Sale"), and the Company shall adopt the name "Frontline Ltd." and Frontline's Bye-Laws. Based on the current outstanding share capital of Frontline and disregarding the New Warrants to be issued in connection with the Amalgamation, current shareholders of Frontline will own after the Amalgamation approximately 96.8% of the LOF Ordinary Shares.

Frontline presently holds 58,792,575 LOF Ordinary Shares (including 22,579,850 LOF Ordinary Shares represented by American Depositary Shares of the Company) representing approximately 79.7% of the 73,725,816 issued and outstanding LOF Ordinary Shares. On November 3, 1997, pursuant to the Amalgamation Agreement, four directors designated by Frontline were elected to the Board of Directors of the Company constituting a majority of the Company's Board. In addition, I was appointed Chairman and Chief Executive Officer of the Company.

These important transactions represent both a financial and strategic opportunity for Frontline. I believe that the Amalgamation and Sale also create potentially significant operating, purchasing, marketing and chartering synergies which serve to increase vessel utilization, reduce costs and gain access to new markets. Together, the combined companies will embark on a strategy to become one of the largest publicly traded tanker owning companies in the world.

Subject to the shareholders of Frontline approving the proposed amendment to Frontline's Bye-Laws by the affirmative vote of two-thirds of the votes cast, as discussed in the accompanying Joint Proxy Statement/Prospectus, the affirmative vote of holders of not less than a majority of the Frontline Ordinary Shares present in person or by proxy and entitled to vote at the Special General Meeting will be required in order to approve the Amalgamation and the Sale. Hemen Holding Ltd., which holds beneficially approximately 49.6% of the outstanding Frontline Ordinary Shares, has agreed to vote in favor of the Amalgamation and the Sale, and has indicated its intention to vote in favor of the amendment to Frontline's Bye-Laws. The Board of Directors of Frontline believes that the proposed Amalgamation and Sale described in the accompanying Joint Proxy Statement/Prospectus are in the best interests of the shareholders of Frontline and has recommended that you vote in

favor of amending and restating Frontline's Bye-Laws, the Amalgamation and the Sale. Additional information regarding the Amalgamation is set forth in the enclosed Joint Proxy Statement/Prospectus, and I urge you to read this material carefully.

You are cordially invited to attend the Special General Meeting in person. Whether or not you plan to attend the Special General Meeting, please sign, date and return as soon as possible the enclosed proxy in the enclosed stamped, self-addressed envelope. If you attend the meeting, you may revoke your proxy and vote your shares in person.

Very truly yours,

/s/ John Fredriksen
John Fredriksen,
Chairman and
Chief Executive Officer

FRONTLINE LTD.
Mercury House
101 Front Street
Hamilton HM 12, Bermuda

**NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS
MONDAY, MAY 11, 1998**

TO THE SHAREHOLDERS OF FRONTLINE LTD.

NOTICE IS HEREBY given that a special general meeting (the "Special General Meeting") of Frontline Ltd. ("Frontline") will be held on Monday, May 11, 1998, at 11:00 A.M., Bermuda time, at Mercury House, 101 Front Street, Hamilton, Bermuda, for the following purposes, all of which are more completely set forth in the accompanying Joint Proxy Statement/Prospectus:

1. To approve the amendment and restatement of Frontline's Bye-Laws in their entirety.
2. To consider and vote upon a proposal to approve an agreement and plan of amalgamation dated as of September 19, 1997, as amended, by and among Frontline, Dolphin Limited ("Sub"), a Bermuda wholly-owned subsidiary of London & Overseas Freighters Limited, a Bermuda company (the "Company"), and the Company (the "Amalgamation Agreement") pursuant to which Sub will amalgamate with Frontline (the "Amalgamation"), the separate corporate existence of Frontline and Sub will cease, the amalgamated company resulting from the Amalgamation will become a wholly-owned subsidiary of the Company, the holders of the issued and outstanding Frontline ordinary shares, par value \$1.00 ("Frontline Ordinary Shares"), will receive (i) 3.2635 ordinary shares, par value \$0.25, of the Company ("LOF Ordinary Shares") with associated rights to purchase 1/4 of one LOF Ordinary Share and (ii) 0.1902 of a newly issued warrant to purchase one LOF Ordinary Share for each Frontline Ordinary Share held by them, assuming there are outstanding 136,701,507 Frontline Ordinary Shares as of the effective time of the Amalgamation and no holder of Frontline Ordinary Shares has perfected dissenters' rights, and the assets and liabilities of the amalgamated company will thereafter be sold at fair market value to the Company (the "Sale").
3. To transact such other business as may properly come before the Special General Meeting or any adjournment thereof.

Frontline's Board of Directors has fixed the close of business on April 6, 1998 as the record date for the determination of the shareholders entitled to notice of the Special General Meeting or any adjournment thereof.

Any holder of Frontline Ordinary Shares who does not vote in favor of the Amalgamation is entitled to be paid the fair value of his shares. Any shareholder not satisfied that he has received fair value for his shares has dissenters' rights pursuant to Section 106(6) of The Companies Act, 1981, as amended, of the Islands of Bermuda, as amended (the "Companies Act"). See "Frontline Proposal 2 - The Amalgamation and Sale - Dissenters' Rights" in the accompanying Joint Proxy Statement/Prospectus. Hemen Holding Ltd., which owns beneficially approximately 49.6% of the outstanding Frontline Ordinary Shares, has agreed to vote all of its shares in favor of amending Frontline's Bye-Laws (which will require the affirmative vote of 66 2/3% of the votes cast at the Special

General Meeting), and in favor of the Amalgamation and the Sale (which will require the affirmative vote of a majority of the Frontline Ordinary Shares present in person or by proxy and entitled to vote on such proposal if the proposal to amend Frontline's Bye-Laws is adopted and approval of at least 75% of the outstanding Frontline Ordinary Shares if that proposal is not adopted.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL GENERAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE POSTAGE IF MAILED IN THE UNITED STATES OR THE UNITED KINGDOM. THE VOTE OF EVERY SHAREHOLDER IS IMPORTANT AND YOUR COOPERATION IN RETURNING YOUR EXECUTED PROXY PROMPTLY WILL BE APPRECIATED. ANY SIGNED PROXY RETURNED AND NOT COMPLETED WILL BE VOTED BY THE CHAIRMAN IN FAVOR OF ALL PROPOSALS PRESENTED BY THE BOARD.

If you attend the Special General Meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,

/s/ Kate Blankenship
Kate Blankenship,
Secretary

April 10, 1998

PROSPECTUS
OF
LONDON & OVERSEAS FREIGHTERS LIMITED

446,125,368
LOF Ordinary Shares and Rights

26,000,000 Warrants

This prospectus relates to (a) 446,125,368 ordinary shares of London & Overseas Freighters Limited, a Bermuda company (the "Company"), par value \$0.25 per share ("LOF Ordinary Shares"), with associated non-detachable rights to purchase one-quarter (1/4) of one LOF Ordinary Share ("Rights") and (b) 26,000,000 warrants to purchase 26,000,000 LOF Ordinary Shares ("New Warrants") with associated Rights to be issued by the Company to shareholders of Frontline Ltd., a Bermuda company ("Frontline"), in connection with the agreement and plan of amalgamation, dated as of September 19, 1997, as amended, by and among the Company, Dolphin Limited, a Bermuda wholly-owned subsidiary of the Company ("Sub"), and Frontline (the "Amalgamation Agreement"), pursuant to which, among other things, (i) Sub will amalgamate with Frontline (the "Amalgamation"), (ii) Frontline's shareholders will receive 3.2635 LOF Ordinary Shares with associated Rights and 0.1902 of a New Warrant in exchange for each ordinary share, par value \$1.00 of Frontline ("Frontline Ordinary Share"), held by them, assuming 136,701,507 Frontline Ordinary Shares are outstanding at the effective time of the Amalgamation (the "Effective Time") and no holders of Frontline Ordinary Shares have perfected dissenters' rights, and (iii) the amalgamated company resulting from the Amalgamation will become a wholly-owned subsidiary of the Company. Based on the current number of outstanding shares of Frontline and the Company and disregarding the New Warrants, the Company's current shareholders (not including Frontline) will own, after the Amalgamation, approximately 3.2% of the outstanding LOF Ordinary Shares. The company resulting from the Amalgamation is hereinafter referred to as the "Amalgamated Company."

All fractional LOF Ordinary Shares that a Frontline shareholder would otherwise be entitled to receive as a result of the Amalgamation shall be aggregated, and if a fractional share results from such aggregation, such holder shall be entitled to receive, in lieu thereof, a cash payment (without interest) representing such shareholder's proportionate interest in the net proceeds from the sale by the exchange agent (following the deduction of applicable transaction costs), on behalf of all such holders, of LOF Ordinary Shares representing such fractions. The number of LOF Ordinary Shares with associated Rights and the fraction of a New Warrant issued to each shareholder of Frontline in exchange for each Frontline Ordinary Share will be rounded to the nearest ten-thousandth as provided in the Amalgamation Agreement. See "The Amalgamation and Sale" elsewhere herein. The Rights are not exercisable until the occurrence of certain events, including, among other things, a significant acquisition of LOF Ordinary Shares. Each Right entitles the holder to subscribe for and purchase one-quarter (1/4) of one LOF Ordinary Share for a price of \$1.50 per share until a person or group becomes an "Acquiring Person" (as defined in the rights agreement related to the Rights), in which event each Right will entitle the holder, other than the Acquiring Person, to purchase for such price LOF Ordinary Shares having a market value of up to eight times such purchase price. The Rights expire on December 31, 2006 unless earlier redeemed. See "Rights Plan." Each New Warrant will be exercisable to purchase one LOF Ordinary Share with associated Rights at a price of \$1.591 per share at any time from the Effective Time until the third anniversary thereof.

Immediately after the Amalgamation, all of Frontline's assets and liabilities vested in the Amalgamated Company will be sold to the Company at their fair market value in consideration for a note (the

"Sale," and together with the Amalgamation, the "Transactions"), and, subject to shareholder approval, the name of the Company will be changed to "Frontline Ltd." and Frontline's Bye-Laws will become the Bye-Laws of the Company. Proposals relating to the increase in the authorized share capital of the Company, the issuance of LOF Ordinary Shares in connection with the Amalgamation and certain other transactions contemplated by the Amalgamation Agreement will be submitted to a vote of the Company's shareholders for their approval at the Company's Special General Meeting of Shareholders to be held on Monday, May 11, 1998. This Prospectus also serves as the Proxy Statement for such meeting and as the Proxy Statement for Frontline at its Special General Meeting of Shareholders also to be held on May 11, 1998 (the "Joint Proxy Statement/Prospectus"). **For a discussion of risk factors related to the Company and Frontline, see "Risk Factors" at pp. 12-17.**

On September 29, 1997, Frontline commenced an all cash tender offer for not less than 50.1% of the outstanding LOF Ordinary Shares together with all associated Rights (including LOF Ordinary Shares represented by American Depositary Shares ("ADSs") of the Company) (the "Offer"). The Offer was intended to enable Frontline to gain control of the Company and effect the Amalgamation. Accordingly, on November 3, 1997, Frontline acquired approximately 79.7% of the outstanding LOF Ordinary Shares pursuant to the Offer. In connection with the Amalgamation, the number of whole LOF Ordinary Shares with associated Rights to be issued in exchange for each Frontline Ordinary Share will be determined (rounded to the nearest ten-thousandth of a share) by dividing (x) the average closing US dollar price of a Frontline Ordinary Share on the Oslo Stock Exchange for ten trading days selected by Frontline and the Company by lot out of the trading days commencing on and including September 22, 1997 (the date of the public announcement of the execution of the Amalgamation Agreement) and ending on and including October 24, 1997 (the second business day next preceding the expiration date of the Offer), which average price was \$5.19, by (y) 1.591 (the quotient of (x) and (y) being the "Exchange Ratio"). The number of whole New Warrants to be issued in exchange for each Frontline Ordinary Share will be determined (rounded to the nearest ten-thousandth of a New Warrant) by dividing (a) 26,000,000 by (b) the aggregate number of Frontline Ordinary Shares to be canceled pursuant to the Amalgamation Agreement (the quotient of (a) and (b) being the "Fraction"). Accordingly, 3.2635 LOF Ordinary Shares with associated Rights and, assuming 136,701,507 Frontline Ordinary Shares are outstanding at the Effective Time and no holders of Frontline Ordinary Shares perfect dissenters' rights, 0.1902 of a New Warrant would be issued in exchange for each Frontline Ordinary Share.

Consummation of the Amalgamation is subject to various conditions, including, among others: the approval of the Minister of Finance of Bermuda and the Bermuda Monetary Authority (both of which approvals have been given and received by the Company) and that no stop order suspending the effectiveness of the Registration Statement (as hereinafter defined) shall be in effect and no proceedings for such purpose shall be pending before or threatened by the U.S. Securities and Exchange Commission (the "Commission"). Conditions to the Transactions not required by applicable law may be waived by the parties on the terms set forth in the Amalgamation Agreement.

CONSUMMATION OF THE AMALGAMATION IS CONDITIONED UPON APPROVAL BY NOT LESS THAN A MAJORITY OF THE LOF ORDINARY VOTES CAST AND NOT LESS THAN 66 2/3% OF THE FRONTLINE ORDINARY VOTES CAST. FRONTLINE, WHICH HOLDS APPROXIMATELY 79.7% OF THE OUTSTANDING LOF ORDINARY SHARES, HAS AGREED TO VOTE ITS SHARES IN FAVOR OF THE TRANSACTIONS, THE ADOPTION OF FRONTLINE'S BYE-LAWS BY THE COMPANY AND THE OTHER MATTERS SET FORTH IN THE ACCOMPANYING NOTICE OF MEETING TO THE COMPANY'S SHAREHOLDERS. HEMEN HOLDING LTD., WHICH HOLDS APPROXIMATELY 49.6% OF THE OUTSTANDING FRONTLINE ORDINARY SHARES, HAS AGREED TO VOTE ITS SHARES IN FAVOR OF THE TRANSACTIONS AND THE PROPOSED AMENDMENTS TO FRONTLINE'S BYE-LAWS AND TO CAUSE FRONTLINE TO VOTE ITS LOF ORDINARY SHARES IN FAVOR OF ALL THE COMPANY PROPOSALS.

FOR INFORMATION CONCERNING SPECIAL CONSIDERATIONS RELATING TO THE AMALGAMATION AND SALE, SEE "COMPANY PROPOSAL 1- AMENDMENT TO THE COMPANY'S

MEMORANDUM OF ASSOCIATION TO INCREASE THE AUTHORIZED SHARE CAPITAL AND ISSUANCE OF ORDINARY SHARES IN CONNECTION WITH THE AMALGAMATION - SUMMARY OF THE AMALGAMATION AND SALE" AND "FRONTLINE PROPOSAL 2 - SPECIAL CONSIDERATIONS RELATING TO THE AMALGAMATION."

Following the completion of the Transactions, the LOF Ordinary Shares are expected to continue to be listed on the London Stock Exchange ("LSE") (for a period of at least six months) and to be listed on the Oslo Stock Exchange, the ADSs (each representing ten LOF Ordinary Shares and evidenced by American Depositary Receipts ("ADRs")) are expected to continue to be listed on the National Association of Securities Dealers, Inc.'s Nasdaq National Market ("NASDAQ/NM"), and the Company intends to change the trading symbol for the ADSs on the NASDAQ/NM to "FRONY."

No person is authorized to give any information or to make any representation not contained in this Joint Proxy Statement/Prospectus and, if given or made, such information or representation should not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Joint Proxy Statement/Prospectus, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer or solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Joint Proxy Statement/Prospectus nor any distribution of the securities made under this Joint Proxy Statement/Prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Joint Proxy Statement/Prospectus.

This Joint Proxy Statement/Prospectus does not cover any resales of LOF Ordinary Shares or New Warrants to be received by Frontline's shareholders upon consummation of the Amalgamation, and no person is authorized to make use of this Joint Proxy Statement/Prospectus in connection with any such resale.

THE SECURITIES TO BE ISSUED IN THE AMALGAMATION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Joint Proxy Statement/Prospectus
is April 10 , 1998.

AVAILABLE INFORMATION

The Company has filed a Registration Statement on Form F-4 with the Commission pursuant to the Securities Act of 1933, as amended, with respect to the LOF Ordinary Shares and New Warrants offered hereby (the "Registration Statement"). This Joint Proxy Statement/Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to Frontline, Sub, the Company and the LOF Ordinary Shares and New Warrants offered hereby, reference is hereby made to the Registration Statement, including the exhibits and schedules thereto.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files certain reports and other information with the Commission. The Company currently files annual reports on Form 20-F and quarterly reports on Form 6-K with the Commission and, following the Amalgamation, is expected to continue to file with the Commission. The Company also will provide quarterly reports to the Oslo Stock Exchange and will continue to provide quarterly reports to the LSE. The Registration Statement, such reports and other information can be inspected and copied at the public reference facilities of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following regional offices of the Commission: 7 World Trade Center, New York, New York 10040 and 500 West Madison Street, Chicago, Illinois 60661-2511, and copies of such materials can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also maintains an Internet site on the world-wide web at <<http://www.sec.gov>> that contains reports and other information. As a "foreign private issuer," the Company is not subject to the rules governing proxy statements set forth in Section 14(a), (b) or (c) of the Exchange Act or the related rules adopted by the Commission pursuant to the Exchange Act. In addition, the Company is not required to, and currently does not, file its reports electronically with the Commission.

ADs, each representing ten LOF Ordinary Shares and evidenced by ADRs, are listed on the NASDAQ/NM under the symbol "LOFSY."

REFERENCES TO "\$" OR "DOLLARS"

In this Joint Proxy Statement/Prospectus, all references to "\$" or "Dollars" shall mean United States Dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Joint Proxy Statement/Prospectus, including any forecasts, projections and descriptions of anticipated synergies, and certain statements incorporated by reference from documents filed with the Commission by the Company, including any statements contained herein or therein regarding the development or possible assumed future results of operations of the Company's and Frontline's businesses, the markets for the Company's and Frontline's services, anticipated capital expenditures, regulatory developments and the effects of the Transactions, any statements preceded by, followed by or that include the words "believes," "expects," "anticipates" or similar expressions, and other statements contained or incorporated by reference herein regarding matters that are not historical facts, are or may constitute forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth or referred to above in this paragraph. Shareholders are cautioned not to place undue reliance on such forward-looking statements. Neither the Company nor Frontline undertakes any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission by the Company are hereby incorporated by reference:

- (1) The Company's Annual Report on Form 20-F for the fiscal year ended March 31, 1997 (File No. 0-22704);
- (2) The Company's Quarterly Reports on Form 6-K for the quarters ended March 31, June 30, September 30 and December 31, 1997 (File No. 0-22704);
- (3) The Company's Current Reports on Form 6-K filed September 24, 1997; and November 5, 1997 (File No. 0-22704).
- (4) The Company's Registration of Rights on Form 8-A filed December 9, 1996 (File No. 0-22704).

All documents filed by the Company with the Commission pursuant to Sections 13(a) or 15(d) of the Exchange Act subsequent to the date hereof and prior to the termination of the offering of any securities hereby shall be deemed to be incorporated by reference into this Joint Proxy Statement/Prospectus and to be a part hereof from the date of filing of such documents. See "Available Information." Any statement contained in a document incorporated by reference shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

The Company hereby undertakes to provide without charge to each person, including any beneficial owner, to whom this Joint Proxy Statement/Prospectus is delivered, upon written or oral request by such person, a copy of any and all of the information that has been incorporated by reference in this Joint Proxy Statement/Prospectus. Please direct such requests to London & Overseas Freighters Limited, Document Request, P.O. Box HM 1593, Mercury House, 101 Front Street, Hamilton HM GX, Bermuda; or telephone (441)295-9500.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is a Bermuda company, and its executive offices and administrative activities and assets, as well as those of certain of the experts named herein, are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Company or such persons or to enforce both in the United States and outside the United States judgments against the Company or such persons obtained in United States courts in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, most of the directors and officers of the Company are residents of jurisdictions other than the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce against them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The Company has been advised by its legal counsel in Bermuda, Conyers, Dill & Pearman, that there is uncertainty as to whether the courts of Bermuda would (i) enforce judgments of United States courts obtained against the Company or such persons predicated upon the civil liability provisions of the federal securities laws of the United States or (ii) entertain original actions brought in Bermuda courts against the Company or such persons predicated upon the federal securities laws of the United States.

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JOINT PROXY STATEMENT
FOR
SPECIAL GENERAL MEETINGS OF SHAREHOLDERS
OF LONDON & OVERSEAS FREIGHTERS LIMITED AND
FRONTLINE LTD.
TO BE HELD ON MAY 11, 1998

This joint proxy statement/prospectus (the "Joint Proxy Statement/Prospectus") and the enclosed form of proxy are being furnished to the holders of the (A) (i) ordinary shares, par value \$0.25 per share ("LOF Ordinary Shares"), of London & Overseas Freighters Limited, a Bermuda company (the "Company"), and (ii) American Depositary Shares ("ADSs") of the Company (each ADS representing ten (10) LOF Ordinary Shares and evidenced by American Depositary Receipts ("ADRs") (the ADSs together with the LOF Ordinary Shares being collectively referred to as the "Shares")), and (B) ordinary shares, par value \$1.00 per share ("Frontline Ordinary Shares"), of Frontline Ltd., a Bermuda company ("Frontline"), in connection with the solicitation by the Boards of Directors of the Company and Frontline of proxies for use at the Special General Meetings of the Company and Frontline (the "Special General Meetings") to be held at Mercury House, 101 Front Street, Hamilton, Bermuda, at 11:30 A.M., Bermuda time, on Monday, May 11, 1998, and at Mercury House, 101 Front Street, Hamilton, Bermuda, at 11:00 A.M., Bermuda time, on Monday, May 11, 1998, respectively, and at any adjournments or extensions thereof. This Joint Proxy Statement/Prospectus also serves as the prospectus of the Company with regard to the offering by the Company of 446,125,368 newly issued LOF Ordinary Shares with associated non-detachable rights to purchase one-quarter (1/4) of one LOF Ordinary Share ("Rights") and 26,000,000 warrants each to purchase one LOF Ordinary Share with associated Rights (the "New Warrants") to shareholders of Frontline in connection with the Amalgamation referred to below. This Joint Proxy Statement/Prospectus, the notices of the Special General Meetings and the forms of proxy are being mailed to shareholders of Frontline and the Company, respectively, on or about April 14, 1998.

Each registered holder of Shares or of Frontline Ordinary Shares at the close of business on April 6, 1998 (the "Record Date") is entitled to receive notice of the Special General Meeting of the Company or Frontline, respectively. Each registered holder of Shares or of Frontline Ordinary Shares at the time of the respective Special General Meetings and any adjournments or extensions thereof is entitled to one vote for each LOF Ordinary Share or each Frontline Ordinary Share, as the case may be, held by such holder on all matters properly presented at the respective Special General Meetings, and any adjournments or extensions thereof. As of the Record Date, 73,725,816 LOF Ordinary Shares (including 58,792,575 LOF Ordinary Shares purchased by Frontline pursuant to that certain tender offer (the "Offer"), which commenced September 29, 1997, and expired on October 28, 1997, to purchase not less than 50.1% of the issued and outstanding Shares together with all associated Rights at a price of \$1.591 per LOF Ordinary Share (or \$15.91 per ADS) net to the seller in cash and without interest thereon (the "Offer Price")), are entitled to vote at the Special General Meeting of the Company. As of the Record Date, 136,701,507 Frontline Ordinary Shares are entitled to vote at the Special General Meeting of Frontline. In the event there are not sufficient votes for approval of any of the matters to be voted upon at the Special General Meetings, the Special General Meetings may be adjourned to permit further solicitation of proxies.

A shareholder of the Company or Frontline, as the case may be, may revoke his or her proxy at any time prior to its use. You are urged to indicate the way you wish to vote on each matter in the appropriate space provided in the enclosed proxy.

Company Proposals

In the case of the Company, unless otherwise specified, a proxy will be voted by the persons named in the proxy: (1) **FOR** amending the Company's Memorandum of Association in order to increase the Company's authorized capital to \$250,000,000 (equivalent to 1,000,000,000 LOF Ordinary Shares) and **FOR** issuing LOF Ordinary Shares in connection with the agreement and plan of amalgamation dated as of September 19, 1997, as

amended, by and among the Company, Dolphin Limited, a Bermuda wholly-owned subsidiary of the Company ("Sub"), and Frontline (the "Amalgamation Agreement") pursuant to which, among other things, Sub will amalgamate with Frontline, the separate corporate existence of Frontline and Sub will cease, the amalgamated company (the "Amalgamated Company") resulting from such amalgamation will become a wholly-owned subsidiary of the Company (the "Amalgamation"), the holders of the issued and outstanding Frontline Ordinary Shares will receive in the aggregate approximately four hundred forty-six million, one hundred twenty-five thousand three hundred sixty-eight (446,125,368) LOF Ordinary Shares and twenty-six million (26,000,000) New Warrants as provided herein, and the assets and liabilities of Frontline will be sold to the Company at their fair market value (the "Sale," and together with the Amalgamation, the "Transactions"); (2) **FOR** rescinding the Company's Bye-Laws in their entirety and approving and adopting Frontline's amended and restated Bye-Laws in their entirety as the Bye-Laws of the Company, effective on the date of the Sale; (3) **FOR** approval of the change of name of the Company to "Frontline Ltd." effective on the date of the Sale; and (4) in their discretion, upon any other business which properly comes before the meeting.

The affirmative vote of the holders of not less than a majority of the votes cast of LOF Ordinary Shares represented at the Special General Meeting of the Company is required to approve the amendment to the Company's Memorandum of Association to increase the Company's authorized share capital and the issuance of LOF Ordinary Shares in connection with the Amalgamation pursuant to Company Proposal 1, and approve the change of name to "Frontline Ltd." pursuant to Company Proposal 3. Pursuant to the Bye-Laws of the Company, the affirmative vote of not less than 66 2/3% of the outstanding LOF Ordinary Shares is required to rescind the Company's Bye-Laws and to approve and adopt Frontline's amended and restated Bye-Laws as the Bye-Laws of the Company, pursuant to Company Proposal 2.

Frontline as holder of approximately 79.7% of the outstanding LOF Ordinary Shares has agreed to vote all its shares in favor of Company Proposals 1, 2 and 3. Accordingly, all such Proposals are expected to be adopted.

Frontline Proposals

In the case of Frontline, unless otherwise specified, a proxy will be voted by the persons named in the proxy: (1) **FOR** the amendment and restatement of Frontline's Bye-Laws in their entirety; (2) **FOR** approval of the Amalgamation Agreement, the Amalgamation and the Sale; and (3) in their discretion, upon any other business which properly comes before the meeting.

The affirmative vote of not less than 66 2/3% of the Frontline Ordinary Shares cast is required to approve the amendment and restatement of Frontline's Bye-Laws pursuant to Frontline Proposal 1, and, subject to the approval of Frontline Proposal 1, the affirmative vote of not less than a majority of the Frontline Ordinary Shares is required to approve the Amalgamation and Sale pursuant to Frontline Proposal 2. If shareholder approval of Frontline Proposal 1 is not obtained, the present Bye-Laws will remain in effect. In such event, the affirmative vote of 75% of the outstanding Frontline Ordinary Shares will be required to approve the Amalgamation and Sale.

Hemen Holding Ltd. ("Frontline's Principal Shareholder"), which holds beneficially approximately 49.6% of the outstanding Frontline Ordinary Shares as of the Record Date, has agreed that all of such shares will be voted in favor of Frontline Proposals 1 and 2.

In the event that the Amalgamation is not consummated by May 22, 1998, the Amalgamation contemplated in the Amalgamation Agreement will be restructured, and the Company will be amalgamated with a newly-formed wholly-owned subsidiary of Frontline. See "The Amalgamation and Sale - Overview - The Alternative Amalgamation" at p. 28.

All information contained in this Joint Proxy Statement/Prospectus with respect to the Company and Sub has been supplied by the Company. All information with respect to Frontline has been supplied by Frontline.

Your proxy should be completed, dated, signed and returned promptly in the enclosed business reply envelope. Any person giving a proxy may revoke it at any time before its use by delivering a written notice of revocation to the Secretary of the Company or Frontline, as applicable, or by attending the applicable Special General Meeting and voting in person.

SUMMARY

The following is a brief summary of certain information contained in this Joint Proxy Statement/Prospectus and is not a complete statement of all material information relating to the matters to be considered at the Special General Meetings. It is qualified in its entirety by reference to more detailed information contained elsewhere in this Joint Proxy Statement/Prospectus, the accompanying exhibits and the other documents referred to herein.

Introduction

The proposals set forth in this Joint Proxy Statement/Prospectus for each of the Company and Frontline relate to matters deemed necessary or desirable in connection with the proposed combination by the Company and Frontline of their businesses (the "Combination").

The Tender Offer. In the first stage of the Combination, Frontline conducted an all cash tender offer for LOF Ordinary Shares (including ADSs representing LOF Ordinary Shares). As a result of such tender offer, as of the Record Date, Frontline holds approximately 79.7% of the LOF Ordinary Shares. On November 3, 1997, the Company's Board of Directors (the "Company's Board") was reconstituted so that Frontline's designees now constitute a majority of the Company's Board. In addition, on November 3, 1997, John Fredriksen became the Chairman and Chief Executive Officer of the Company. See "Recent Developments - The Tender Offer."

The Amalgamation. In the second stage of the Combination, Frontline will be amalgamated with Sub, and the Amalgamated Company will become a wholly-owned subsidiary of the Company, which, in turn, will issue 3.2635 LOF Ordinary Shares with associated Rights and a Fraction of a New Warrant in exchange for each outstanding Frontline Ordinary Share, all pursuant to the terms and conditions of the Amalgamation Agreement and as provided in that certain warrant agreement (the "Warrant Agreement") to be entered into between Christiania Bank, as warrant agent, and the Company. See "The Amalgamation and Sale" elsewhere herein. Accordingly, assuming no other issuances or adjustments, Frontline's present shareholders and the Company's present shareholders will own approximately 96.8% and 3.2%, respectively, of the Company's outstanding share capital, while the Company will own Frontline (amalgamated with Sub) as a wholly-owned subsidiary. Holders of New Warrants shall be entitled to purchase from the Company from the effective time of the Amalgamation (the "Effective Time") until the third anniversary thereof one whole LOF Ordinary Share with associated Rights for each whole New Warrant at the purchase price of \$1.591 per share, subject to any adjustments thereto (the "Exercise Price"), as provided in the Warrant Agreement. See "The Amalgamation and Sale."

The Sale. In the third stage of the Combination (which will occur simultaneously with or shortly after the second stage), in order to combine the assets and liabilities of the two companies, the Company will purchase the Frontline assets and liabilities vested in the Amalgamated Company at fair market value in exchange for a note. This note will then be transferred by way of distribution from the Amalgamated Company to the Company which will then cancel the note. In addition, subject to shareholder approval, the Company will adopt Frontline's Bye-Laws and rename itself "Frontline Ltd." See "The Amalgamation and Sale."

The complete text of the Amalgamation Agreement, as amended (exclusive of schedules and inclusive of exhibits), is attached hereto as Exhibit A and is incorporated by reference. The Amalgamation Agreement should be read in its entirety.

The Parties

The Company. The Company was organized under the laws of Bermuda on June 12, 1992, as the successor to London & Overseas Freighters Plc, a company incorporated in England and Wales, and is engaged in the ownership and operation of oil tankers that transport crude oil and oil products to and from ports primarily in the United States and Europe. The principal executive offices of the Company are located at Mercury House, 101 Front Street, Hamilton HM GX, Bermuda, telephone (441) 295-9500.

Sub. Sub was organized under the laws of Bermuda on September 4, 1997, as a wholly-owned subsidiary of the Company. The principal executive offices of Sub are located at Mercury House, 101 Front Street, Hamilton HM GX, Bermuda, telephone (441) 295-9500.

Frontline. Frontline was organized under the laws of Bermuda on April 29, 1997, as the successor to Frontline AB, a Swedish company ("Frontline AB"). Frontline is a holding company which owns a number of subsidiaries engaged primarily in the ownership and operation of oil tankers and oil/bulk/ore ("OBO") carriers. Frontline also owns three vessels that transport wood-chips and wood by-products and charters in one Suezmax tanker and one OBO carrier. The principal executive offices of Frontline are located at Mercury House, 101 Front Street, Hamilton HM 12, Bermuda, telephone (441) 295-6935.

Date, Time, Place and Purpose of Special General Meetings

The Special General Meeting of the Company will be held on Monday, May 11, 1998, at 11:30 A.M., Bermuda time, at Mercury House, 101 Front Street, Hamilton, Bermuda, and the Special General Meeting of Frontline will be held on Monday, May 11, 1998, at 11:00 A.M., Bermuda time, at Mercury House, 101 Front Street, Hamilton, Bermuda. At the respective Special General Meetings, the Boards of Directors of the Company and Frontline will seek the approval of their shareholders of certain actions in connection with the Combination. Shareholders of Frontline will vote on the amendment and restatement of Frontline's Bye-Laws and the Amalgamation and Sale. The Company's shareholders will be asked to approve an amendment to the Company's Memorandum of Association to increase the Company's authorized share capital to \$250,000,000 (equivalent to 1,000,000,000 LOF Ordinary Shares) and the issuance of LOF Ordinary Shares and New Warrants to the shareholders of Frontline in connection with the Amalgamation, to rescind the Company's Bye-Laws and to approve and adopt Frontline's amended and restated Bye-Laws as the Bye-Laws of the Company, to change the name of the Company to "Frontline Ltd." effective as of the date of the Sale. In addition to voting upon the Amalgamation and Sale, Frontline's shareholders will be asked to approve its amended and restated Bye-Laws.

Vote Required

Company

The affirmative vote of the holders of not less than a majority of the votes cast of LOF Ordinary Shares represented at the Special General Meeting of the Company is required to approve the amendment to the Company's Memorandum of Association to increase the Company's authorized share capital and the issuance of LOF Ordinary Shares in connection with the Amalgamation pursuant to Company Proposal 1, and approve the change of name of the Company to "Frontline Ltd." pursuant to Company Proposal 3. The affirmative vote of not less than 66 2/3% of the outstanding LOF Ordinary Shares is required to rescind the Company's Bye-Laws and to approve and adopt Frontline's amended and restated Bye-Laws as the Bye-Laws of the Company, pursuant to Company Proposal 2.

Frontline has agreed to vote all of its Shares in favor of all of such proposals. Frontline has sufficient voting power to secure the required approval of the Company's shareholders in connection with these proposals without the affirmative vote of any other shareholder of the Company.

Frontline

The affirmative vote of not less than 66 2/3% of the Frontline Ordinary Shares cast is required to approve the amendment and restatement of Frontline's Bye-Laws pursuant to Frontline Proposal 1, and, subject to the approval of Frontline Proposal 1, the affirmative vote of not less than a majority of the outstanding Frontline Ordinary Shares is required to approve the Transactions pursuant to Frontline Proposal 2.

Frontline's Principal Shareholder has agreed to vote its Frontline Ordinary Shares in favor of Frontline Proposals 1 and 2.

Interests of Certain Persons

Interest of John Fredriksen

John Fredriksen is Chairman and Chief Executive Officer of Frontline and Chairman and Chief Executive Officer of the Company. Mr. Fredriksen indirectly controls Frontline's Principal Shareholder. Assuming consummation of the Amalgamation and no new share issuances or adjustments to the Exchange Ratio (as hereinafter defined), Frontline's Principal Shareholder will hold approximately 48.0% of the outstanding LOF Ordinary Shares.

Acceleration of Stock Options Held by Officers and Directors of the Company

Certain current and former directors and officers of the Company may be deemed to have interests (summarized below) in the Transactions that are in addition to their interests, if any, as holders of LOF Ordinary Shares and that are potentially in conflict with the interests of the shareholders of the Company generally. The Company's Board and the Board of Directors of Frontline were aware of these interests and considered them, among other factors, in approving the Transactions and making their recommendations to their shareholders.

Pursuant to the terms of the Company's Bermuda Employee Share Option Scheme, options for LOF Ordinary Shares held by officers and directors of the Company under such plan will accelerate and become exercisable upon the termination of their employment with the Company.

The following table sets forth for each officer and director of the Company prior to November 3, 1997, having unvested options subject to acceleration, the number of options subject to acceleration and the weighted average per share exercise price of such options:

<u>Name</u>	<u>Number of Stock Options Subject to Acceleration</u>	<u>Weighted Average Per Share Exercise Price</u>	<u>Aggregate Value of Options Subject to Acceleration (1)</u>
Miles A. Kulukundis.....	10,000	\$1.173	\$3,936
Huw D. Spiers(2).....	10,000	\$1.173	\$3,936

(1) Based on the closing price for the LOF ADSs on the National Association of Securities Dealers, Inc.'s Nasdaq National Market ("NASDAQ/NM") on January 21, 1998.

(2) Mr. Spiers has ceased to be an officer of the Company.

Frontline Designated Directors

Since November 3, 1997, the Company's Board has been comprised of six directors, four of whom are designees of Frontline and two of whom, Miles A. Kulukundis and Ian A. McGrath, are directors of the Company who were on the Company's Board prior to November 3, 1997 (the latter two being "Continuing Directors"). Pursuant to the Amalgamation Agreement, until the Effective Time, at least two directors of the Company's Board shall be Continuing Directors. See "Recent Developments - The Tender Offer."

The names, ages, principal occupations, employment histories and public directorships, if any, of the Continuing Directors and of Frontline's designees serving as directors on the Company's Board and additional information relating to such designees are contained in "Information Concerning the Company - Directors and Executive Officers."

To the extent that any such director designees are affiliated or associated with Frontline, such persons may thereby be deemed to have interests in the Transactions that are in addition to the interests of the Company's shareholders generally. Frontline's designees may also be entitled, subject to certain restrictions, to receive normal compensation and benefits customarily given by the Company to non-employee members of the Company's Board.

Investment Banker Opinion

At the meeting of the Company's Board of Directors on September 19, 1997, the then Board of Directors received the written opinion of Gleacher NatWest Inc., an independent securities and investment banking firm and one of the Company's financial advisers ("Gleacher Natwest"), that (i) the Offer Price of \$1.591 per LOF Ordinary Share received by shareholders of the Company who tendered their shares pursuant to the Offer and (ii) the LOF Ordinary Shares and New Warrants to be issued to the shareholders of Frontline pursuant to the Amalgamation Agreement are fair from a financial point of view to the Company's shareholders. The Company paid Gleacher Natwest a fee of approximately \$2 million for acting as the Company's financial adviser. The complete text of the opinion of Gleacher NatWest is attached hereto as Exhibit B and should be read in its entirety. See "The Amalgamation and Sale - Fairness Opinion of the Company's Investment Banker."

Effective Time

If the Amalgamation Agreement is approved by the requisite shareholder vote of the Company and Sub (the sole shareholder of which is the Company) and the shareholders of Frontline, and the other conditions to the Amalgamation are satisfied or (where legally permissible) waived pursuant to the Amalgamation Agreement, the Amalgamation will be consummated and become effective at the time a Certificate of Amalgamation is issued by the

Registrar of Companies of Bermuda (the Effective Time) pursuant to The Companies Act of 1981 of the Island of Bermuda, as amended (the "Companies Act").

In the event that the Amalgamation is not consummated by May 22, 1998, the Amalgamation contemplated in the Amalgamation Agreement will be restructured, and the Company will be amalgamated with a newly formed wholly-owned subsidiary of Frontline. See "The Amalgamation and Sale" elsewhere herein.

Accounting Treatment

The Amalgamation will be accounted for using the purchase method of accounting applied in accordance with US generally accepted accounting principles ("US GAAP"). After the Amalgamation, Frontline shareholders will have a majority of the voting rights of the combined entity. As a result, for accounting purposes, Frontline will be treated as the accounting acquiror and the transaction will be recorded as a reverse acquisition.

Certain United States Federal Income Tax Consequences

The following summarizes the material United States federal income tax consequences of the Transactions to shareholders of Frontline who are subject to United States federal income taxation with respect to income they derive from their ownership of Frontline Ordinary Shares ("United States Frontline Shareholders"), and to shareholders of the Company who are subject to United States federal income taxation on a net basis with respect to income they derive from their ownership of Shares in the Company ("United States Company Shareholders"). Since none of the parties to the Amalgamation Agreement will apply for a ruling from the Internal Revenue Service regarding the United States federal income tax consequences of the Amalgamation, there can be no assurances that the Internal Revenue Service or a court would agree with the tax consequences summarized below.

Due to the absence of any authority involving facts substantially identical to the Transactions, in the opinion of Seward & Kissel the United States federal income tax consequences of the Transactions to United States Frontline Shareholders are not entirely clear. Based on the form of the Transactions, it is likely that the Internal Revenue Service would seek to treat the Transactions as a taxable sale by Frontline of all of its assets in consideration for the LOF Ordinary Shares, Rights and New Warrants and the assumption of all of Frontline's liabilities. While Frontline would not be subject to any United States federal income taxation under this treatment, each United States Frontline Shareholder would realize and recognize a taxable gain or loss for United States federal income tax purposes in an amount equal to the difference between (i) the aggregate fair market value of the LOF Ordinary Shares, Rights and New Warrants it receives pursuant to the Transactions, and (ii) its aggregate tax basis in its Frontline Ordinary Shares. Under this treatment, a United States Frontline Shareholder would have a tax basis in its LOF Ordinary Shares, Rights and New Warrants equal to their respective fair market values, and its holding period in the LOF Ordinary Shares, Rights and New Warrants would commence at the Effective Time.

Notwithstanding the analysis set forth above, because Frontline currently owns approximately 80 percent of the issued and outstanding LOF Ordinary Shares by reason of the Offer, and the Amalgamation and Sale will occur simultaneously pursuant to an integrated plan, Seward & Kissel believes it is more likely than not that the Transactions will qualify as a reorganization within the meaning of section 368(a)(1)(D) of the Internal Revenue Code. Under this alternative treatment, a United States Frontline Shareholder would realize a gain or loss pursuant to the Transactions equal to the difference between (i) the aggregate fair market value of the LOF Ordinary Shares, Rights and New Warrants it receives, and (ii) its aggregate tax basis in its Frontline Ordinary Shares. However, under existing law, a United States Frontline Shareholder that realizes a gain currently would be subject to United States federal income taxation on such gain only to the extent of the fair market value of the Rights and New Warrants as of the Effective Time. Such a United States Frontline Shareholder would generally have the same tax basis and holding period in its LOF Ordinary Shares as it did with respect to its Frontline Ordinary Shares. The United States Frontline Shareholder's tax basis in its Rights and New Warrants would be equal to the amount of taxable income it recognizes upon receipt of the Rights and New Warrants, and its holding period in the Rights and

New Warrants would commence at the Effective Time. It is noted that recently finalized United States Treasury regulations would eliminate any current United States federal income taxation to a United States Frontline Shareholder under this alternative treatment of the Transactions if the Effective Time of the Transactions were to be on or after March 9, 1998.

A United States Company Shareholder of ADSs or LOF Ordinary Shares will not recognize any gain or loss for United States federal income tax purposes by reason of the Amalgamation or the Sale.

Each United States Frontline Shareholder and United States Company Shareholder is urged to consult his or her own tax advisor on the consequences of the Transactions under U.S. federal, state and local and foreign tax laws.

Resales of LOF Ordinary Shares Issued in the Amalgamation; Affiliates

At or prior to the Effective Time, an officer of Frontline shall deliver to the Company a certificate identifying each person who may be deemed to be an "affiliate" (for purposes of Rule 145 under the Securities Act of 1933, as amended (the "1933 Act")) of Frontline ("Frontline Affiliate") at the time of Frontline's Special General Meeting. Each such person will have executed and delivered to the Company an agreement which provides, among other things, that such Frontline Affiliate will not sell, transfer or otherwise dispose of LOF Ordinary Shares to be received by such Frontline Affiliate pursuant to the Amalgamation except in compliance with the 1933 Act and the rules and regulations thereunder, including Rule 145.

Conditions to the Amalgamation

Consummation of the Amalgamation is subject to various conditions (which may be waived where legally permissible pursuant to the terms and conditions of the Amalgamation Agreement and, in certain circumstances, with the consent of at least one Continuing Director), including (i) the receipt of the consent from the Minister of Finance of Bermuda (the "Minister of Finance") to the Amalgamation (which consent was obtained on November 21, 1997); (ii) the approval by the Bermuda Monetary Authority (the "Authority") of the issuance of new LOF Ordinary Shares and New Warrants in connection with the Amalgamation (which approval was obtained on March 6, 1998); and (iii) that no stop order suspending the effectiveness of the Registration Statement filed by the Company with the US Securities and Exchange Commission (the "Commission") on form F-4 (the "Registration Statement") shall be in effect and no proceedings for such purpose shall be pending before or threatened by the Commission.

Amendment and Termination

Any provision of the Amalgamation Agreement may be waived, amended or supplemented at any time before the Effective Time by the Company and/or Frontline, except in certain limited circumstances; and after the Transactions are approved by the shareholders of the Company and Frontline, there can be no amendment or supplement which adversely affects their rights as shareholders without their approval. The Amalgamation Agreement may be terminated either by the Company or Frontline if there shall be any law or regulation that makes the Amalgamation illegal or otherwise prohibited or if consummation of the Amalgamation would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction. The consent of one of the Continuing Directors is required to authorize any termination of the Amalgamation Agreement by the Company, any approval by the Company of any amendment of the Amalgamation Agreement, any extension by the Company of time for the performance of any of the obligations or other acts of Frontline or its Affiliates under the Amalgamation Agreement and any waiver of compliance with any of the agreements or conditions under the Amalgamation Agreement for the benefit of the Company. In addition, the approval of one of the Continuing Directors shall be sufficient to authorize any action to seek to enforce any obligation of Frontline or its Affiliates under the Amalgamation Agreement.

Recommendation of the Boards of Directors of the Company and Frontline

The Boards of Directors of each of the Company and Frontline believe the Amalgamation is in the best interests of their respective companies and shareholders and have each approved the Amalgamation Agreement. The Boards of Directors of each of the Company and Frontline recommend that their respective shareholders vote FOR the approval of the proposals set forth in the respective Notices. See "Company Proposal 1 - Recommendation of the Board of Directors of the Company; Background and Reasons for the Amalgamation and Sale" and "Frontline Proposal 2 - Recommendation of the Board of Directors of Frontline; Background and Reasons for the Amalgamation and Sale." For information on the recommendation of the Board of Directors of the Company in office prior to the Purchase Dates, see "Company Proposal 1 - Recommendation of the Prior Board of Directors of the Company; Background and Reasons for the Amalgamation."

Dissenters' Rights

Holders of LOF Ordinary Shares have no dissenters' appraisal rights as a result of the Amalgamation.

Each holder of Frontline Ordinary Shares will have the right to receive the appropriate number of LOF Ordinary Shares and New Warrants at the Effective Time. Bermuda law provides that any dissenting shareholder of Frontline Ordinary Shares who does not vote in favor of the Amalgamation is entitled to be paid the fair value of his shares. Any shareholder not satisfied that he has received fair value for his shares may apply to the Supreme Court of the Island of Bermuda for the proper valuation of his shares pursuant to Section 106(6) of the Companies Act. See "Frontline Proposal 2 - The Amalgamation and Sale - Dissenters' Rights" elsewhere herein.

Selected Pro Forma Financial Data

The following selected unaudited condensed pro forma combined financial data as of and for the twelve months ended March 31, 1997, and the six months ended September 30, 1997, illustrate the estimated effects of the proposed Combination. The unaudited condensed pro forma combined statement of operations data is based on the condensed consolidated statements of operations of the Company and Frontline for the fiscal years ended March 31, 1997, and December 31, 1996, respectively, and for the six months ended September 30, 1997 assuming the Combination occurred at April 1, 1996. The Unaudited Condensed Pro Forma Combined Financial Statements of the combined companies have been prepared applying US GAAP. The Combination has been accounted for using the purchase method of accounting. After the Amalgamation, Frontline will have a majority of the voting rights of the combined company and accordingly, for accounting purposes, Frontline has been treated as the accounting acquiror and the transaction treated as a reverse acquisition. The selected unaudited condensed pro forma combined financial data should be read in conjunction with the Unaudited Condensed Pro Forma Combined Financial Statements of the combined company and accompanying Notes, together with the historical financial statements, including notes thereto, and other financial information of the Company and Frontline included elsewhere in this Joint Proxy Statement/Prospectus or incorporated herein by reference.

The selected unaudited condensed pro forma combined financial data does not purport to represent what the financial position or results of operations of the combined company would actually have been if the Combination had in fact occurred on the dates indicated or to project the financial position or results of operations for any future date or period.

	Pro Forma	
	Six Months Ended September 30, 1997 (in thousands, except per share data)	Twelve Months Ended March 31, 1997 (in thousands, except per share data)
Statement of Operations Data		
Operating Revenues	\$120,387	\$139,463
Operating Income	32,047	15,086
Net Income (Loss)	7,872	(12,261)
Net Income (Loss) per Ordinary Share	0.017	(0.027)
Net Income (Loss) per ADS	0.171	(0.266)
Balance Sheet Data (at end of period)		
Total Assets	1,405,508	N/A
Long-Term Liabilities	592,398	N/A
Shareholders' Equity	535,693	N/A

Equivalent Share Data

The following table sets forth (i) historical net income (loss) per LOF Ordinary Share, book value per share for 73,725,816 outstanding LOF Ordinary Shares and cash dividends per LOF Ordinary Share, (ii) historical net income (loss) per Frontline Ordinary Share, book value per share for 136,701,507 outstanding Frontline Ordinary Shares and cash dividends per Frontline Ordinary Share, and (iii) pro forma combined net income (loss) per ordinary share and equivalent Frontline share, pro forma combined book value per share for 461,058,609 outstanding ordinary shares for 141,277,343 equivalent Frontline shares, and pro forma combined cash dividends per ordinary share and equivalent Frontline share after giving effect to the Combination, under the purchase method of accounting with Frontline treated as the accounting acquiror and the Combination treated as a reverse acquisition, as if it were consummated at April 1, 1996, for presenting net income (loss) and cash dividends per ordinary share and at September 30, 1997, for presenting book value per ordinary share. The information presented in the table has been prepared applying US GAAP and should be read in conjunction with the Unaudited Condensed Pro Forma Combined Financial Statements and the separate consolidated financial statements of the Company and Frontline and the notes thereto included elsewhere herein or incorporated herein by reference.

	Historical		Pro Forma Combined	
	<u>The Company</u>	<u>Frontline (1)</u> (in U.S. Dollars)	<u>per LOF Ordinary Share</u>	<u>per Equivalent Frontline Share</u>
Net Income (Loss) Per Ordinary Share				
Six months ended September 30, 1997	(0.005)	0.073	0.017	0.056
Fiscal Year ended March 31, 1997	0.026	N/A	(0.027)	(0.087)
Fiscal Year ended December 31, 1996	N/A	(0.303)	N/A	N/A
Book Value Per Ordinary Share				
As of September 30, 1997	1.610	3.719	1.162	3.792
Cash Dividends Per Ordinary Share				
Six months ended September 30, 1997	0.000	0.000	0.000	0.000
Fiscal Year ended March 31, 1997	0.000	N/A	0.000	0.000
Fiscal Year ended December 31, 1996	N/A	0.000	N/A	N/A

- (1) Net income (loss) per equivalent Frontline Share and Book Value per equivalent Frontline Share amounts were translated into US Dollars for purposes of this presentation using the period end rate of exchange as of September 30, 1997 of \$1.00 = SEK 7.59.

Market Value of Shares

The following table sets forth the closing prices, as reported on the Oslo Stock Exchange for Frontline Ordinary Shares, on the NASDAQ/NM for ADSs and on the LSE for LOF Ordinary Shares for September 19, 1997, the last trading day before the announcement of the execution of the Amalgamation Agreement, and April 3, 1998. Amounts in the column captioned "Company Equivalent" have been computed by multiplying the price of the LOF Ordinary Shares by the Exchange Ratio. On October 31, 1997, Frontline purchased ADSs and on November 3, 1997, Frontline purchased LOF Ordinary Shares (the "Purchase Dates") tendered pursuant to the Offer, representing in the aggregate approximately 79.7% of the issued and outstanding Shares. See "Recent Developments" and "Market Prices, Dividends and Related Shareholder Matters" elsewhere herein.

	<u>Frontline Ordinary Shares</u>	<u>LOF Ordinary Shares</u>	<u>Company ADS</u>	<u>Company Equivalent</u>
September 19, 1997	NOK 35.10 (1)	£0.935 (2)	\$15.375	\$4.910
April 3, 1998	NOK 23.00 (3)	£0.675 (4)	\$12.000	\$3.652

(1) \$4.87 at the exchange rate of NOK 7.2080/\$ prevailing on September 19, 1997.

(2) \$1.50 at the exchange rate of £0.6214/\$ prevailing on September 19, 1997.

(3) \$3.00 at the exchange rate of NOK 7.6548/\$ prevailing on April 3, 1998.

(4) \$1.12 at the exchange rate of £0.6032/\$ prevailing on April 3, 1998.

RISK FACTORS

Risk Factors Relating to the Amalgamation

There are a number of considerations affecting the business of the Company and of Frontline which could have a material effect on the combined company and its profitability if the Amalgamation is consummated.

Risks Related to the Company

The Company's Operation. The Company owns and operates vessels which may be affected by changes in governments and other economic and political conditions. The Company is engaged primarily in transporting crude oil and oil products. 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. The supply of tanker 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 fleet and government and industry regulation of maritime transportation practices. The demand for tanker 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 producers, political changes and armed conflicts (including wars in the Middle East) and changes in seaborne and other transportation patterns. 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 are unpredictable, the nature, timing and degree of changes in industry conditions are also unpredictable. See "Information Concerning the Company - Business of the Company."

Dependence on Spot Charters. All of the Company's tankers are operated on the spot market except the FRONT PRIDE, which is on long-term charter to Chevron Transportation Company ("Chevron"), a subsidiary of Chevron Corporation. This charter expires in July 1998. Although spot chartering is not unusual in the tanker industry, the spot charter market is highly competitive and spot charter rates are subject to significant fluctuations based upon tanker and oil supply and demand. Successful operation of a vessel in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time waiting for charters, and "ballast legs" or the time spent traveling unladen to pick up cargo. There is no assurance that future spot charters will be available at rates that will be sufficient to enable the Company's vessels trading in the spot charter market to be operated profitably. In addition, bunkering charges, which account for a substantial portion of the operating costs, and generally reflect prevailing oil prices, are subject to sharp fluctuations.

Market Value of Vessels. The market value of tankers can be expected to fluctuate, depending upon general economics and market conditions affecting the tanker industry and competition from among other shipping companies, types and sizes of vessels, and other methods of transportation. There can be no assurance that the market value of the Company's vessels will not decline in the future.

Competition. The operation of tanker vessels and transportation of crude and petroleum products and the other businesses in which the Company operates are extremely competitive. The Company competes with other tanker owners (including major oil companies as well as independent companies), and, to a lesser extent, owners of other size vessels.

Environmental and Other Regulation. The Company is subject to regulation and supervision in the various states and other jurisdictions in which it trades, operates and conducts business. Amendments to such regulations, from time to time, may adversely affect the business of the Company's operations in such jurisdictions. The operations of the Company are affected by changing environmental protection laws and other regulations, compliance with which may entail significant expenses, including expenses for ship modifications and changes in operational procedures. The United States and certain other jurisdictions have adopted or proposed new regulatory

requirements that could have a material effect on the Company. In particular, the United States Oil Pollution Act of 1990, as amended ("OPA 90"), provides for virtually unlimited liability for owners, operators and charterers for oil pollution accidents in the United States. The US Coast Guard has adopted regulations under OPA 90 which require owners and operators of vessels operating in US waters to meet significant financial responsibility requirements. In addition, OPA 90 provides for a phase-in of the exclusive use of double hull tankers at ports in the United States. The Company's entire fleet is comprised of double hull tankers. As a result it is in compliance with OPA 90 and is not restricted in its ability to trade in the U.S.

The International Maritime Organization (the United Nations' agency for maritime safety, the "IMO"), has adopted regulations designed to reduce oil pollution in international waters. In complying with OPA 90 and the IMO regulations, the Company and other tanker owners generally have been forced to incur additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage as required by OPA 90. Certain US states, the European Community (the "EC") and certain other countries also are considering stricter technical and operational requirements for tankers. Additional laws and regulations may be adopted which could limit the ability of the Company to do business or increase its cost of doing business and which may have a material adverse effect on the operations of the Company. See "Business of the Company - Regulation" elsewhere herein. The Company maintains \$700 million in insurance coverage per occurrence for liability for pollution, spillage or leakage of oil or oil products for each of its vessels and evidence of insurance in compliance with the financial responsibility requirements under OPA 90. See "Information Concerning the Company - Business of the Company - Risk of Loss and Insurance."

Possible Volatility of Market Price. The market price of LOF Ordinary Shares could be affected by, among other things, fluctuations in the prices of oil and oil products or in the charter rates for, or resale values of, vessels. Historically, the crude oil and oil products tanker markets and the markets for the oil products that such vessels carry have been highly volatile and subject to significant changes.

Risks Related to Frontline

Frontline's Operation. Frontline owns various ship owning and operating subsidiaries. The operations of Frontline take place substantially outside of the United States. Frontline's subsidiaries, therefore, own and operate vessels which may be affected by changes in foreign governments and other economic and political conditions. Frontline is engaged primarily in transporting crude oil and oil products and, in addition, raw materials like coal and iron ore. Frontline's VLCCs are specifically designed for the transportation of crude oil and, due to their size, are normally used only to transport crude oil from the Middle East Gulf to the Far East, Northern Europe, the Caribbean and to LOOP. The Suezmax tankers are similarly designed for worldwide trading, but the trade for these vessels is mainly in the Atlantic Basin. Historically, the tanker industry has been highly cyclical, with attendant volatility in profitability and asset values resulting from changes in the supply of and demand for tanker capacity. Frontline's OBO carriers are specifically designed to carry oil or dry cargo and may be used to transport either oil or dry cargo on any voyage. When freight rates in both markets are equivalent OBO carriers are operated most profitably in combination trade transporting oil on one leg of the voyage and dry cargo on the other leg of a voyage. The supply of tanker and OBO capacity is influenced by the number of new vessels built, the number of older vessels scrapped, converted, laid up and lost, the efficiency of the world tanker or OBO fleet and government and industry regulation of maritime transportation practices. The demand for tanker and OBO capacity is influenced by global and regional economic conditions, increases and decreases in industrial production and demand for crude oil and petroleum products, the proportion of world oil output supplied by Middle Eastern and other producers, political changes and armed conflicts (including wars in the Middle East) and changes in seaborne and other transportation patterns. The demand for OBO capacity is, in addition, influenced by increases and decreases in the production and demand for raw materials such as iron ore and coal. In particular, demand for Frontline's tankers and its 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 Frontline's 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.

Four of Frontline's twenty-three vessels operate under time charters. One of Frontline's Suezmax tankers (a tanker between 120,000 and 160,000 deadweight tonnes ("dwt")) is chartered to BP Oil Espana S.A. ("BP") and two are chartered to Den norske Stats Oljeselskap A.S. ("Statoil") (which vessels chartered to Statoil are partly owned by Frontline). The charter of the Suezmax tanker LILLO to BP expires November 2001. One charter of a Suezmax tanker to Statoil expires in 1999 and the other expires in 2003. In addition, Frontline's VLCCs operate under "market related" contracts of affreightment with Yukong Ltd., a large South Korean conglomerate ("Yukong"), and Tonen Tanker K.K., a Japanese joint venture involving Mobil Corp. and Esso Imperial Oil Limited ("Tonen"). The contract of affreightment with Yukong commenced on September 12, 1997, and terminates on the earlier of the 12 month anniversary of the contract or after a prescribed number of liftings, while the contract of affreightment with Tonen commenced on February 1, 1998, and terminates on the earlier of the 11 month anniversary of the contract or after a prescribed number of liftings. Frontline's Suezmax tankers and its OBO carriers for several years have operated under an informal agreement with Statoil to transport crude oil on a right of first refusal basis from Norway to the East Coasts of Canada and the United States and the US Gulf Coast and Caribbean. Frontline's eight wholly-owned OBO carriers all trade under both bulk and oil cargo charters. Frontline charters in a single OBO carrier on a one-year term and trades it on the spot market. This vessel to date has generated a surplus. Frontline's OBO carriers also operate under three contracts of affreightment with a steel mill in Saudi Arabia for delivery of iron ore from Narvik, Norway and Brazil, one contract of affreightment with Valero Refining Co. ("Valero") for delivery of a special fuel oil from Saudi Arabia to the Valero refinery located in the United States Gulf Coast and one contract of affreightment with Coscol Marine Corp., the marine division of Coastal States, for transport of crude from the East Coast of Mexico to Aruba, Netherlands Antilles. The contract with Valero is for six month periods, subject to renewal, and the contracts with the steel mill in Saudi Arabia are for three-year periods, each subject to renewal. These arrangements are suited to Frontline's OBOs and maximize their efficient usage. These arrangements have now been in effect for up to five years and secure employment for 3.75 vessels per year. Frontline also owns three wood-chip carriers which are handy-sized dry cargo vessels adapted to carry wood-chips. There is no assurance that any of the existing time charters or contracts of affreightment will be renewed or, if renewed, will be renewed at satisfactory rates. If, upon the expiration of the existing time charters or contracts of affreightment, Frontline is unable to obtain time charters or voyage charters or contracts of affreightment at rates equivalent to those received under the current time charters or contracts of affreightment, there may be a material adverse effect on Frontline's operating results, cash flow from operations and liquidity. The availability of time charters and voyage charters and the rates available at such future dates will depend on the market conditions prevailing at such times, and it is not possible to predict at this time the effect on Frontline of any renewal or non-renewal of the time charters or contracts of affreightment.

Dependence on Spot Oil Voyage Charters. During the first six months ending June 30, 1997, approximately 84% of Frontline's vessels by tonnage were operating on a spot charter basis or under contracts of affreightment. If time charters are not available at satisfactory rates when vessels are acquired or when the time charters for Frontline's existing vessels expire, the proportion of its vessels on spot charter may increase. Although spot chartering is not unusual in the tanker industry, the spot charter market is highly competitive and spot charter rates are subject to significant fluctuations based upon tanker and oil supply and demand. Successful operation of a vessel in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time waiting for charters, and "ballast legs" or the time spent traveling unladen to pick up cargo. There is no assurance that future spot charters will be available at rates that will be sufficient to enable Frontline's vessels trading in the spot charter market to be operated profitably. In addition, bunkering (fuel oil) charges, which account for a substantial portion of the operating costs of VLCCs (and smaller tankers) and generally reflect prevailing oil prices, are subject to sharp fluctuations. Frontline's OBO carriers transporting fuel oil for the Valero refinery currently transport dry cargo during the ballast leg of their voyage. Frontline intends to continue to employ such OBO carriers in this manner where economically expedient.

Restrictions in Debt Agreements. Frontline's existing financing agreements impose operation and financing restrictions on Frontline which affect, and in many respects significantly limit or prohibit, among other things, the ability of Frontline and its subsidiaries to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of its lenders. All of the LOF Ordinary Shares owned by Frontline have been pledged to secure Frontline's obligations under the Bridge Loan Agreement which is expected to be repaid with cash held by the Company and Frontline upon the effectiveness of the Amalgamation. Frontline's financing arrangements also contain maintenance covenants with respect to the market value of Frontline vessels and other collateral relative to indebtedness. The financial institutions may accelerate the maturity of indebtedness under such financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including the failure of Frontline to comply with any of these covenants. See "Recent Developments - The Tender Offer." Under any of these circumstances, there is no assurance that Frontline will have sufficient funds or other resources to satisfy all of its obligations. Frontline currently believes that it is in compliance with all such covenants. See "Information Concerning Frontline - Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources."

Purchase and Operation of Tanker Vessels. Frontline's Principal Shareholder has through associated companies acquired four secondhand Ultra Large Crude Carriers ("ULCCs") and two secondhand VLCCs built in the 1970s. Frontline's Principal Shareholder intends to establish a separate company to own these ULCCs which are currently controlled by it, and it further intends that Frontline's shareholders will be given preferential rights to subscribe to capital in the new company. In addition, Frontline intends to purchase secondhand modern VLCCs and Suezmax tankers in pursuit of its strategy to be one of the world's leading international seaborne transporters of crude oil. The supply of such vessels is limited and their prices fluctuate with demand. There is no assurance that any such vessels will meet Frontline's quality requirements or are available at prices Frontline considers reasonable. In addition, sellers of secondhand ULCC, VLCC and Suezmax vessels typically provide very limited warranties with respect to the conditions of the vessels in comparison to warranties available for a newbuilding. While Frontline intends to inspect carefully any secondhand vessel prior to purchase, any such inspection would normally not provide Frontline with as much knowledge as to the condition of the vessels as Frontline would possess if the vessel had been built for it and operated by it during the life of the vessel. See "Business of Frontline - Further Expansion of Fleet."

Newbuildings. Frontline currently has on order three Suezmax tankers for delivery in 1998, two similar vessels for delivery in 2000 and has four options to assume contracts for the construction and purchase of four VLCCs for delivery in 1998 and 1999. Frontline's business strategy with respect to these orders and options is based primarily on its expectations that on the delivery dates for such tankers the demand for Frontline's newbuildings will have increased at a greater rate than the supply of VLCCs and Suezmax tankers. There can be no assurance that VLCC and Suezmax supply will decrease or that demand will increase. The Suezmax tankers will be constructed with double hulls to Frontline's specifications by Hyundai Heavy Industries Co. Ltd. at its shipyard in South Korea. Frontline has the right on or before March 31, 1998, to assume the four contracts to construct the VLCC newbuildings. The VLCC newbuildings are to be constructed with double hulls by Hyundai Heavy Industries Co. Ltd. at its shipyard in South Korea. In the case of a newbuilding, Frontline is required to make progress payments during the construction of the vessel, but Frontline will not derive any revenue from the vessel until after its delivery. See "Business of Frontline - Further Expansion of the Fleet."

Market Value of Vessels. The market value of tankers can be expected to fluctuate, depending upon general economics and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other methods of transportation. Recent market conditions in the tanker industry have favorably affected the market values of Frontline's vessels. There can be no assurance that the market value of Frontline's vessels will not decline in the future. See "Special Considerations Relating to the Amalgamation - Frontline's Operations."

Competition. The operation of tanker vessels and transportation of crude and petroleum products and the other businesses in which Frontline operates are extremely competitive. Through its operating subsidiaries Frontline competes with other VLCC, Suezmax and OBO owners (including major oil companies as well as independent companies), and, to a lesser extent, owners of other size vessels. Frontline's market share currently is insufficient to enforce any degree of pricing discipline in the markets in which Frontline competes. There can be no assurance that Frontline's competitive position will not erode in the future.

Environmental and Other Regulation. Many of the Frontline's operating subsidiaries are subject to regulation and supervision in the various states and other jurisdictions in which they trade, operate and conduct business. Amendments to such regulations, from time to time, may adversely affect the business of Frontline's operating subsidiaries in such jurisdictions. The operations of Frontline are affected by changing environmental protection laws and other regulations, compliance with which may entail significant expenses, including expenses for ship modifications and changes in operational procedures. The United States and certain other jurisdictions have adopted or proposed new regulatory requirements that could have a material effect on Frontline. In particular, OPA 90 provides for virtually unlimited liability for owners, operators and charterers for oil pollution accidents in the United States. The US Coast Guard has adopted regulations under OPA 90 which require owners and operators of vessels operating in US waters to meet financial responsibility requirements. In addition, OPA 90 provides for a phase-in of the exclusive use of double hull tankers at ports in the United States. All of Frontline's OBO carriers are double hull and double bottom and currently comply with OPA 90's double hull construction requirements. OPA 90's double hull requirements will affect the use of Frontline's VLCCs and Suezmax tankers beginning in the year 2010.

The IMO has adopted new regulations designed to reduce oil pollution in international waters. In complying with OPA 90 and the IMO regulation, Frontline and other tanker owners generally have been forced to incur additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage as required by OPA 90. Certain US states, the EC and certain other countries also are considering stricter technical and operational requirements for tankers. Additional laws and regulations may be adopted which could limit the ability of Frontline to do business or increase its cost of doing business and which may have a material adverse effect on the operations of Frontline. See "Business of Frontline - Environmental Regulation and Liability." Frontline maintains \$700 million in insurance coverage per occurrence for liability for pollution, spillage or leakage of oil or oil products for each of its vessels and evidence of insurance in compliance with the financial responsibility requirements under OPA 90. See "Information Concerning Frontline - Business of Frontline - Risk of Loss and Insurance."

Risk of Loss and Liability. The operation of any ocean-going vessel has an inherent risk of catastrophic marine disaster, mechanical failure, collision and property loss to the vessel. The operation of Frontline's vessels also may be affected by spills and other environmental mishaps, cargo loss or damage, business interruption due to political action in various countries, labor strikes and adverse weather conditions, which could result in loss of revenues or increased costs. Frontline currently maintains insurance against certain of these risks. However, there is no assurance that such insurance will continue to be available at economic rates or will be sufficient to cover any losses incurred by Frontline or the cost of any claims asserted against Frontline or will cover the loss of revenue resulting from a vessel being removed from operations. In the event that claims were asserted against Frontline, its vessels could be subjected to attachment or other judicial process. See "Business of Frontline - Risk of Loss and Insurance."

Reliance on Senior Management. Frontline relies on the services of John Fredriksen, its Chairman and Chief Executive Officer, and on Frontline Management AS, a wholly-owned subsidiary of Frontline ("Frontline Management") for the day-to-day arrangement of the operations of Frontline and its subsidiaries pursuant to the terms of a management agreement between Frontline and Frontline Management. If alternate management services had to be arranged, such event would have a short-term adverse effect on Frontline's business and prospects.

Dividends. Frontline has not paid a dividend since its incorporation. Due to the highly cyclical nature of the crude oil and oil products tanker industry, there is no assurance that there will be sufficient funds for payment of dividends. See "Dividends" and "Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources."

Possible Volatility of Market Price. The market price of Frontline Ordinary Shares could be affected by, among other things, fluctuations in the prices of oil and oil products and in the charter rates for, or resale values of, vessels. Historically, the crude oil and oil products tanker markets and the markets for the oil products that such vessels carry have been highly volatile and subject to significant changes.

RECENT DEVELOPMENTS; THE TENDER OFFER AND THE ICB TRANSACTION

The Tender Offer

On February 27, 1997, the Company announced its intention to explore a range of strategic alternatives aimed at positioning itself to compete more effectively in the tanker market and enhancing shareholder value. Subsequently, the Company's advisers conducted an auction to identify suitable parties for a business combination. After meeting with several interested parties and commencing negotiations with another potential bidder, the Company entered into negotiation of a business combination with Frontline. On September 19, 1997, the Board of Directors of Frontline approved the Amalgamation Agreement. On that same date, the Board of Directors of the Company unanimously (i) determined that the Amalgamation Agreement and the transactions contemplated thereby, including the Offer and the Amalgamation, were fair to and in the best interest of the Company and the Company's shareholders, (ii) approved the Amalgamation Agreement and the Transactions contemplated thereby and (iii) resolved to recommend to the Company's shareholders acceptance of the Offer and, to shareholders of the Company who continue to hold Shares of the Company after consummation of the Offer, approval of the increase in authorized share capital of the Company and the issuance of new LOF Ordinary Shares and New Warrants to shareholders of Frontline in connection with the Amalgamation. For information on the background of the Offer and a discussion of events leading to the negotiation of the Amalgamation Agreement, see "Company Proposal 1 - Amendment to the Company's Memorandum of Association to Increase the Authorized Share Capital and Issuance of Ordinary Shares in Connection with the Amalgamation - Recommendation of the Prior Board of Directors of the Company; Background and Reasons for the Amalgamation" and "Frontline Proposal 2 - The Amalgamation and Sale - Recommendation of the Board of Directors of Frontline; Background and Reasons for the Amalgamation and Sale."

On September 29, 1997, pursuant to the Amalgamation Agreement, Frontline commenced the Offer. Pursuant to the Offer, Frontline offered to purchase not less than 50.1% and not more than 90% of the outstanding LOF Ordinary Shares, including LOF Ordinary Shares represented by ADSs in each case with all associated Rights, upon the terms and subject to the conditions set forth in the Offer and in the related letter of transmittal and, for overseas holders of LOF Ordinary Shares, form of acceptance at the Offer Price. The Offer and withdrawal rights expired at 5:00 p.m. (London time) and 12:00 noon (New York City time) on Tuesday, October 28, 1997. No separate consideration was paid in respect of ADSs representing purchased LOF Ordinary Shares. The Offer was not subject to the consummation of the Amalgamation. On the Purchase Dates, Frontline purchased pursuant to the Offer LOF Ordinary Shares and ADSs representing approximately 79.7% of the outstanding LOF Ordinary Shares. The amount required to purchase the outstanding LOF Ordinary Shares tendered and accepted for purchase pursuant to the Offer and to pay related fees and expenses in respect of the Offer was approximately \$95.5 million. The Offer was intended to permit Frontline to acquire control of, and a majority equity interest in, the Company and to effectuate the Transactions pursuant to the Amalgamation Agreement.

Tessera Trustee Limited (the "Trustee"), in its capacity as the trustee of the Miltiades Alexander Kulukundis Trust (a trust of which one of the beneficiaries is Miles Kulukundis, one of the Continuing Directors and the former President and Chief Executive Officer of the Company) (the "Trust"), entered into a shareholder

agreement with Frontline, pursuant to which, among other things, the Trustee agreed to tender the Trust's shareholding in the Company in the Offer.

Frontline obtained the funds necessary to finance the Offer from bank borrowings and from cash on hand. Pursuant to a loan agreement (the "Bridge Loan Agreement") dated October 28, 1997, approximately \$73.6 million of the amount required to purchase the Shares tendered in the Offer was provided from a borrowing from The Chase Manhattan Bank ("Chase") as lender and arranger (the "Bridge Loan"). The Bridge Loan was drawn on October 31, 1997. The Bridge Loan is secured prior to the Effective Time by pledges to Chase of all of the Shares purchased by Frontline in the Offer, including certificates, and all interest, earnings and proceeds in respect thereof, and including the depository accounts in which the pledged Shares are held.

The Bridge Loan Agreement requires the Bridge Loan to be repaid in full, in the case of the first tranche in the amount of \$45 million on April 30, 1998, the six month anniversary of the date such loan was advanced, and in the case of the second tranche in the amount of approximately \$28.6 million, on February 28, 1998, the four month anniversary of the date such loan was advanced. Interest on the Bridge Loan shall be payable at a rate per annum based upon the London Inter-bank Offer Rate ("LIBOR").

In addition, in December 1997, the Company guaranteed a \$100 million loan facility entered into by its Liberian subsidiaries with Chase (the "Long Term Loan") for the long term financing of the Company's three Suezmax tankers. There is a maximum of three drawdowns with the last drawdown date falling no later than April 30, 1998. Two-thirds of the balance outstanding at the final drawdown date shall be repaid in 20 semi-annual installments over ten years on a straight-line basis. The first installment shall fall due six months after the first drawdown date, which was December 22, 1997. The remaining one-third of the balance outstanding will be due ten years from the first drawdown date.

The Long Term Loan will be secured by a first priority mortgage on the Company's three Suezmax tankers. Interest on the Long Term Loan will be payable at a LIBOR-based rate.

The ICB Transaction

On September 1, 1997, Frontline announced its intention to submit an offer to acquire all of the shares in ICB Shipping Aktiebolag (publ) ("ICB"), a publicly traded Swedish company whose principal assets consist of modern tanker vessels (the "ICB Transaction"). ICB owns and/or operates a fleet of eleven vessels consisting of six Very Large Crude Carriers ("VLCCs") and five Suezmax tankers. All of the Suezmax tankers and two of the VLCCs are 100% owned by ICB. ICB has a 92% interest in a third VLCC and has options to acquire the two VLCCs it charters in. ICB has also contracted for the construction of two Suezmax tankers for delivery in 1998. The offer originally consisted of two alternatives: (a) an exchange of each ICB share for three Frontline Ordinary Shares; and (b) a cash offer of SEK 115 in cash for each share in ICB, provided, however, that the cash offer would be limited to 25% of all ICB shares outstanding. On September 19, 1997, Frontline announced that it would change its offer to an all cash offer in the amount of SEK 115 for each share in ICB. On September 25, 1997, ICB issued a press release announcing, among other things, that ICB had agreed to acquire Astro Tankers, the tanker business of the Angelicoussis family, following which acquisition the Angelicoussis family would own approximately 29.6% of ICB's share capital and approximately 29.6% of the voting power of ICB. On October 1, 1997, Frontline announced that it would increase its offer to SEK 130 per share to the ICB A-shareholders while maintaining its offer of SEK 115 per share to the ICB B-shareholders.

On October 17, 1997, the Board of Directors of ICB convened a special meeting of the ICB shareholders at which meeting such shareholders (excluding Frontline which voted against all proposals) approved an increase in the authorized share capital of ICB and the acquisition of Astro Tankers in consideration of the issuance to the Angelicoussis family of approximately 29.6% of the outstanding share capital and voting power of ICB (the "Astro Transactions"). As of January 30, 1998, Frontline has acquired approximately 51.7% of the shares

of ICB and approximately 31.4% of the voting power in ICB in connection with the ICB Transaction and is the largest shareholder of ICB. Upon consummation of the Astro Transactions, Frontline will hold approximately 34.4% of shares of ICB representing approximately 22.1% of the voting power of ICB. On or about December 1, 1997, Frontline challenged the Astro Transactions in the Stockholm district court and sought to block their completion on the grounds that they serve only to obstruct Frontline's offer for the ICB shares, are not based on commercial considerations and therefore violate the Swedish Companies Act. The Patent and Registration Authority, which is responsible for registering new Swedish share issues, has indicated that it probably would not register the ICB share issue pending the district court's judgment. On January 8, 1998, Frontline announced that it had allowed its tender offer for ICB's shares to expire on December 31, 1997 for the following six reasons: (i) ICB's determination to consummate the Astro Transactions, (ii) the shareholder agreement between certain ICB directors and the Angelicoussis Group, which effectively prevented Frontline from obtaining voting control of ICB, (iii) current uncertainty in world financial markets and the VLCC tanker market as a result of recent financial unrest in Asia, (iv) the resistance to Frontline's offer by ICB's board of directors and the Swedish stock-savings association, (v) the recent decrease in the price of ICB shares, and (vi) improved flexibility for Frontline as a result of no longer being committed to purchase the remaining ICB shares.

Frontline's investment in ICB may be transferred into a separate holding subsidiary. Frontline intends to refinance the existing bank financing of the ICB investment, which has a duration of one year, either through a private debt placement of long-term debt securities or through commercial sources. Frontline has also announced that if it finds it commercially sound, or necessary in order to protect its investment in ICB, Frontline will consider increasing its share position through purchases in the marketplace.

As set forth in Note 16 to Frontline's financial statements for the year ended December 31, 1996, and in Note 1 to Frontline's interim financial statements for the period ended September 30, 1997, Frontline has determined that it does not have the ability to exercise significant influence over ICB and, accordingly, has accounted for its investment in ICB using the cost method. Frontline's determination is based solely on the following information. There are no additional factors of which Frontline is aware or upon which Frontline has relied in making its determination that it does not have the ability to exercise significant influence over ICB.

1. Frontline does not have the ability to obtain, nor does it now have, Board or management representation in ICB. During the ICB shareholders meeting held on October 17, 1997, Frontline's proposal to obtain a seat on the ICB Board was defeated. In addition, notwithstanding Frontline's opposition, the Astro Transaction was approved.

2. ICB shares with majority voting rights, particularly the Class A shares, are concentrated among a small group of shareholders, many of which are connected with ICB Management, who have entered into a shareholders' agreement concerning the voting and disposition of their shares. Frontline knows of no restrictions on the ability of any of the shareholders that are party to that agreement to vote as a block. At present, Frontline would need to obtain an additional 900,000 Class A shares of ICB (representing 9,000,000 votes) in order to change the balance of voting power. However, Frontline has terminated its tender offer for ICB.

3. Actions taken by ICB management subsequent to the announcement of Frontline's tender offer clearly reflect strong opposition to Frontline's tender offer and were taken to block Frontline's ability to exercise significant influence over ICB. ICB has opposed Frontline's complaint before the Swedish Patent & Registration Authority (the Swedish companies registrar) to block the issuance of shares in the Astro Transaction that will dilute Frontline.

On March 16 1998, the Board of Directors of Frontline held a meeting at which it discussed Frontline's investment in ICB. The Board stated its satisfaction that the Astro Transaction would not be completed as proposed. The Board acknowledged that it had no present expectations about obtaining, nor did it believe that Frontline would be able to obtain, significant influence over ICB in the foreseeable future. However, the Board also

noted its anticipation that the process through which Frontline would need to proceed to gain substantial influence over ICB could be time consuming. Accordingly, Frontline's Board of Directors considered different alternatives in order to reduce the impact such a process would have on Frontline's core activity. Frontline's Board stated that one realistic alternative on which it could focus would be to establish a separate holding company for Frontline's ICB shares, which company ultimately could be partially or wholly distributed to Frontline's shareholders. This alternative would include the separate listing of that holding company.

Included as Exhibit E is certain financial information derived from public press releases and filings by ICB with the Stockholm Stock Exchange. This information consists of ICB's preliminary announcement of its earnings for the year ended December 31, 1997, and the financial statements of ICB for the year ended December 31, 1996, as extracted from the Annual Report filed by ICB with the Stockholm Stock Exchange. Those statements are prepared in accordance with Swedish GAAP and are presented in SEK. The Company has requested ICB to provide it with a reconciliation of those financial statements to US GAAP, but ICB has denied that request. The Company does not believe that it will be able to obtain such a reconciliation in the foreseeable future. Further, as set forth above, Frontline does not have the ability to exercise significant influence over ICB. ICB is a publicly traded company listed on the Stockholm Stock Exchange whose shares have a regular trading market and investors can readily determine the value of ICB's shares that Frontline accounts for on the cost method. In addition, Frontline and ICB are involved in similar segments of the tanker market.

Accordingly, management believes that Exhibit E provides investors sufficient information about ICB in order for investors to make their decision whether to vote in favor of the Proposals, and that financial statements of ICB reconciled to US GAAP would not be material to US investors. Please see Note 17 to Frontline's consolidated financial statements for the year ended December 31, 1996, and Note 2 to its interim consolidated financial statements for the period ended September 30, 1997, contained herein for an illustrative summary of significant differences between Swedish and US GAAP. Investors should note that the trading price of the ICB shares would not necessarily be equal to their net realizable value if a shareholder were to dispose of a large block of such shares within a short period of time. Frontline, however, has no present intention to dispose of a substantial portion of its ICB shares and knows of no other factors which would indicate that the fair market value of the ICB shares held by Frontline is materially different from the trading value of the ICB shares.

Preliminary Announcements of Results by the Company and Frontline

The Company

In November 1997, the Board of Directors of the Company approved a change of accounting reference date to December 31 from March 31 of each year. The Company will file a transition report on Form 20-F for the nine months ended December 31, 1997.

During its third fiscal quarter ended December 31, 1997, the Company sold its fleet of three Panamax tankers and recorded a profit on sale of approximately \$30 million. The vessels were delivered during December 1997. See "Information Concerning the Company - Business of the Company - The Company."

The sale of the Panamax vessels prompted the Company to undertake a review of the recoverability of its investment in its remaining vessels. The Company determined that the carrying value of its three Suezmax vessels exceeded their undiscounted forecasted future net cash flows from operations. These losses were measured by the excess of the carrying value of the vessels over their estimated fair values which were based on values provided by ship brokers. The carrying value of the vessels was reduced by \$22 million and the reduction is reported as a separate item in the Company's Consolidated Statements of Income.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 Earnings per Share ("SFAS 128"). SFAS 128 requires dual presentation of basic

earnings per share ("EPS") and diluted EPS on the face of all statements of earnings ending after December 15, 1997 for all entities with complex capital structures. The Company's EPS has been presented in conformity with SFAS 128.

In the third fiscal quarter of 1997, the Company's management determined that the useful life of its vessels was 25 years rather than 20 years as previously estimated. This change in accounting estimate resulted in an increase in net income of approximately \$320,000.

Fiscal Third Quarter Results

The Company's net income for the third quarter was \$6,740,000, compared with \$596,000 for the equivalent prior period. EPS was \$0.091 (equivalent to \$0.91 per ADS), compared with \$0.008 (equivalent to \$0.08 per ADS) for the prior period.

Net operating income for the quarter was \$11,536,000, compared with \$2,533,000 for the prior period. This result reflects a gain on the sale of the Panamax vessels of approximately \$30 million and a provision to write down the value of the Suezmax vessels of approximately \$22 million.

Net operating income for the Panamax fleet, excluding the gain on sale, decreased from \$427,000 to \$42,000, the main component being 64 fewer days trading due to the sale of the vessels. The average daily time charter equivalent ("TCE") earned was unchanged from the prior period at \$13,000.

Net operating income for the Company's Suezmax fleet, excluding the provision against carrying values, increased from \$2,106,000 to \$3,669,000, the main components being an increase in net operating revenues combined with reduced depreciation expense. The TCE earned in the quarter was \$29,000, up from \$26,000 in the prior period. The *Front Pride* increased her profitability under her Chevron time charter and voyage market trading was significantly more profitable than in the prior period.

Net other expenses for the third fiscal quarter were \$4,812,000, compared with \$1,936,000 in the prior period. The main component of the increase was \$2,654,000 of amalgamation costs in relation to the Frontline transaction. Additionally, debt refinancing resulted in the accelerated amortization of approximately \$600,000 of deferred loan fees.

Nine Month Results

The Company reported net income of \$6,339,000 for the nine months ended December 31, 1997, compared with \$1,145,000 for the equivalent prior period. EPS was \$0.086 (equivalent to \$0.86 per ADS), compared with \$0.016 (equivalent to \$0.16 per ADS) for the prior period.

Net operating income for the nine months was \$17,146,000, compared with \$7,131,000 for the equivalent prior period. This improved result for the quarter is primarily attributable to the net effect of approximately \$8 million of income arising from the sale of the Panamax vessels and provision against the value of the Suezmax vessels.

Net operating income for the Panamax vessels, excluding the gain on sale, decreased from \$1,370,000 to \$481,000, the main component being a reduction in the number of days trading due to the drydocking of two vessels in the second fiscal quarter of 1997 and the subsequent sale of the vessels. The TCE earned was up to \$14,500 in the nine months from \$13,500 in the prior period.

Net operating income for the Suezmax fleet, excluding the adjustment to carrying values, increased from \$5,761,000 to \$8,840,000, the main component being an increase in net operating revenues. The TCE earned was \$28,500, compared with \$25,500 in the prior period for the same reasons as the quarter.

Net other expenses for the period were \$10,793,000, compared with \$5,974,000 in the prior period for the same reasons as the quarter.

On March 16, 1998, the Company announced its results for the three and nine months ended December 31, 1997:

	Three months to December 31		Nine months to December 31	
	(in thousands, except per share and per ADS data)			
	1997	1996	1997	1996
Net operating revenues	<u>10,534</u>	<u>10,557</u>	<u>32,883</u>	<u>31,069</u>
Gain on Sale of Vessels	29,906	--	29,906	--
Total Operating Expenses	<u>28,504</u>	<u>8,024</u>	<u>45,643</u>	<u>23,938</u>
Net Operating Income	<u>11,536</u>	<u>2,533</u>	<u>17,146</u>	<u>7,131</u>
Net Other Expenses	<u>(4,812)</u>	<u>(1,936)</u>	<u>(10,793)</u>	<u>(5,974)</u>
Net Income	<u>\$ 6,740</u>	<u>\$ 596</u>	<u>\$ 6,339</u>	<u>\$ 1,145</u>
Earnings per Ordinary Share				
- Basic	<u>\$ 0.091</u>	<u>\$ 0.008</u>	<u>\$ 0.086</u>	<u>\$ 0.016</u>
- Diluted	<u>\$ 0.090</u>	<u>\$ 0.008</u>	<u>\$ 0.085</u>	<u>\$ 0.015</u>
Earnings per ADS				
- Basic	<u>\$ 0.91</u>	<u>\$ 0.08</u>	<u>\$ 0.86</u>	<u>\$ 0.16</u>
- Diluted	<u>\$ 0.90</u>	<u>\$ 0.08</u>	<u>\$ 0.85</u>	<u>\$ 0.15</u>

Frontline

On March 16, 1996, Frontline announced its preliminary results for the year ended December 31, 1997. These results were expressed in U.S. Dollars and were calculated in accordance with U.S. GAAP. For the year ended December 31, 1997, Frontline recorded a net profit of \$17.4 million, compared with a net loss of \$14.0 million in 1996.

As a result of Frontline's consolidation with the Company, Frontline's management has reassessed the life expectancy of the fleet, and decided to change its depreciation schedule from 20 to 25 years, with effect from the fourth quarter of 1997. This change reduced depreciation expense in the fourth quarter and for the full year 1997 by \$3.6 million.

The results include charges of \$4.5 million relating to non-recurring expenses in connection with the restructuring of Frontline's domicile, of which \$0.3 million was expensed during the fourth quarter of 1997.

Operating profit before interest, taxes and depreciation (EBITDA), for 1997 was \$112.2 million as compared to \$38.9 million in 1996. Net financial expenses totalled \$42.6 million in 1997 as compared to \$22.6 million in 1996. The increase in financial expenses reflects an increase in overall debt

relating to a number of vessels acquired in the fourth quarter of 1996 and debt incurred in connection with the acquisition of shares in ICB and the Company.

Income for the fourth quarter of 1997 was \$9.2 million, as compared to a loss of \$4.4 million for the same period in 1996, and operating profit before depreciation was \$36.5 million, as compared to \$9.4 million in the same period in 1996. Net financial expenses were \$15.1 million as compared to \$5.7 million in the same period in 1996. Fees in connection with the Bridge Loan totaling \$3.0 million are amortized over 12 months.

Frontline is consolidating the Company's results beginning November 1, 1997. The investment in ICB is accounted for according to the cost method. The book value of the investment is adjusted to market value at the end of each period, with the unrealized gain/loss recorded directly to equity. Frontline's share of ICB's earnings for fourth quarter of 1997 would have been approximately \$5.3 million if the investment had been booked according to the equity method.

The average number of Frontline Ordinary Shares outstanding in the fourth quarter of 1997 was 136,701,507, and for the full year 109,723,607. At year end 136,701,507 Frontline Ordinary Shares were issued and outstanding. Earnings per share for 1997 amounted to \$0.16, as compared to a loss of \$0.30 in 1996.

On March 16, 1997, Frontline announced its unaudited results for the year ended December 31, 1997:

	(U.S. Dollars in thousands) (unaudited)
	<u>For the Year Ended December 31, 1997</u>
Income on time charter basis	197,197
Gain from sale of vessels	-
Ship operating expenses	-48,076
Charterhire expenses	-25,734
Administrative expenses	-11,190
Operating profit before depreciation	112,197
Minority's part of result LOF	6
Net profit after tax	17,395

THE AMALGAMATION AND SALE

Overview

Provisions of the Amalgamation Agreement relating to the Transactions are described below. This summary is qualified by reference to the Amalgamation Agreement (excluding schedules and exhibits thereto), the complete text of which is attached hereto as Exhibit A and incorporated herein by reference.

Pursuant to the Amalgamation Agreement, shareholders of the Company whose LOF Ordinary Shares were not purchased by Frontline in the Offer will retain such LOF Ordinary Shares, and shareholders of Frontline will receive LOF Ordinary Shares and New Warrants.

At the Effective Time, each Frontline Ordinary Share issued and outstanding immediately prior to the Effective Time (other than Frontline Ordinary Shares owned by the Company), will be canceled in consideration for the right to receive (i) that number of newly issued LOF Ordinary Shares with associated Rights (rounded to the nearest ten-thousandth of a share) determined by dividing (x) the average closing US Dollar price of a Frontline Ordinary Share on the Oslo Stock Exchange for the ten trading days selected by Frontline and the Company by lot out of the trading days commencing on September 29, 1997, and ending on and including October 24, 1997 ("Random Trading Days"), which average was \$5.19, by (y) 1.591 (the quotient of (x) and (y) being the "Exchange Ratio"); and (ii) that fraction of a New Warrant to purchase one Ordinary Share (rounded to the nearest ten-thousandth of a New Warrant) determined by dividing (a) 26,000,000 by (b) the aggregate number of Frontline Ordinary Shares to be canceled pursuant to sub-paragraph (i) (the quotient of (a) and (b) being the "Fraction"). The US dollar price of Frontline's LOF Ordinary Shares was calculated using the US Dollar/NOK exchange rate at the close of trading on each applicable trading day as such rate was published in the Wall Street Journal, Eastern Edition. The Random Trading Days were selected by Frontline and the Company at 4:00 p.m., Oslo time, the Exchange Ratio was set at 3.2635 LOF Ordinary Shares for each Frontline Ordinary Share and the Fraction was determined to be 0.1902 of a New Warrant (assuming 136,701,507 Frontline Ordinary Shares outstanding at the Effective Time) on October 27, 1997.

The Rights are not exercisable until certificates evidencing the Rights are distributed by The Bank of New York (the "Rights Agent") upon an event triggering distribution. Each Right entitles the holder to subscribe for and purchase one-quarter (1/4) of one LOF Ordinary Share for a price of \$1.50 per share. The Rights expire on December 31, 2006, unless earlier redeemed. Holders of Rights have no rights other than as holders of the LOF Ordinary Shares to which such Rights are attached until certificates representing the Rights are issued. The Rights Agreement (as hereinafter defined) was amended so that the acquisition of the LOF Ordinary Shares pursuant to the Offer did not cause the Rights to be distributed. See "Frontline Proposal 1 - The Rights Plan" elsewhere herein.

Based on the current number of outstanding shares of Frontline and the Company, and disregarding the New Warrants to be issued to Frontline shareholders in the Amalgamation, the Company's current shareholders will, after the Amalgamation, own approximately 3.2% of the then outstanding LOF Ordinary Shares.

Upon consummation of the Amalgamation, each holder of outstanding Frontline Ordinary Shares will be issued a Fraction of a New Warrant in respect of each such Frontline Ordinary Share. Each whole New Warrant shall be exercisable by a holder to purchase from the Company from the Effective Time, as defined herein, until the third anniversary thereof, one LOF Ordinary Share at the Exercise Price, or such adjusted number of whole LOF Ordinary Shares at such adjusted Exercise Price as may be established pursuant to the Warrant Agreement to be entered into between the Company and Christiania Bank as warrant agent. Only whole New Warrants may be exercised to purchase a whole number of LOF Ordinary Shares. Reference is made to the complete text of the Warrant Agreement (inclusive of exhibits), which is included as an exhibit to the Registration Statement of which this Joint Proxy Statement/Prospectus is a part. See "Surrender of Certificates; No Fractional Shares or Warrants" elsewhere herein.

In addition, pursuant to the Amalgamation Agreement, at the Effective Time, each share of the capital of Sub issued and outstanding prior to the Effective Time shall be converted into and become one share of the Amalgamated Company, par value \$1.00 per share. The separate corporate existence of Sub and Frontline shall cease, and the Amalgamated Company shall operate under the name Dolphin Limited. The Amalgamated Company resulting from the amalgamation will be a wholly-owned subsidiary of the Company.

From and after the Effective Time, the directors and officers of Frontline shall be the directors and officers of the Amalgamated Company, and the Memorandum of Association and the Bye-Laws of Frontline shall become the Memorandum of Association and the Bye-Laws of the Amalgamated Company until amended as provided by law. At the Effective Time, the Continuing Directors shall proffer, and the Company shall accept, their resignation.

Contemporaneously with and immediately after the Amalgamation, all of the assets and liabilities of Frontline vested in the Amalgamated Company by virtue of the Amalgamation will be sold to the Company in consideration for an unsecured promissory note payable on demand in an amount equal to their fair market value. Such note will then be distributed by the Amalgamated Company to the Company and canceled. Within one year thereafter, the Amalgamated Company will be liquidated.

Options to acquire LOF Ordinary Shares ("Company Options") under the Company's Bermuda and U.K. Employee Share Option Schemes, which options are outstanding immediately prior to the Effective Time, shall remain unchanged. Company Options which are not exercisable will become exercisable upon the holders' redundancy (termination of employment) from the Company.

Certain Covenants. Pursuant to the Amalgamation Agreement, the Company and Frontline have agreed that, among other things, prior to the Effective Time, neither shall take any action that would result in the beneficial ownership of Frontline Ordinary Shares by Frontline's Principal Shareholder being below 35% of the then outstanding Frontline Ordinary Shares.

Each of the Company and Frontline has further agreed that, except as otherwise expressly provided in the Amalgamation Agreement, prior to the Effective Time, neither party will, among other things, without the prior written consent of the other party (i) declare dividends or effect stock repurchases; (ii) take any action which would, directly or indirectly, frustrate, impede, impair or delay the Amalgamation; or (iii) take any actions which would have a disparate effect on the Company's shareholders or the Frontline shareholders.

Each of the Company and Frontline has further agreed that prior to the Effective Time neither it nor any of its subsidiaries or affiliates shall, directly or indirectly, bid for, purchase or attempt to induce any person to bid for or purchase or to sell or otherwise dispose of or attempt to induce any other person to sell or otherwise dispose of any Frontline Ordinary Shares.

The Amalgamation Agreement contains certain other covenants of the parties thereto, including, among other things, covenants regarding: (i) the timely filing with the Commission and the Minister of Finance or Authority, as the case may be, of certain required information (which filings have been made); and (ii) the quotation of the LOF Ordinary Shares on NASDAQ/NM and the listing of such LOF Ordinary Shares on the LSE and the Oslo Stock Exchange (except that upon the expiration of 180 calendar days after the Effective Time, the Company may cause the LOF Ordinary Shares to be delisted from the LSE).

Each existing plan, practice, policy, agreement or other arrangement providing for the payment of any benefit or compensation, disclosed by the parties to each other, in connection with the termination or deemed termination of employment of any employee or former employee of the Company will remain in force in accordance with its terms and will be honored by the Company, including, without limitation, any such arrangement providing for the payment of severance, redundancy or notice pay or the continuation of salary or other benefits with respect to any employee or former employee. Certain employee loan agreements of the Company will also remain in force in accordance with their terms and continue to be honored by the Company.

In addition, until the third anniversary of the Effective Time, the Company will continue to indemnify and hold harmless its present and former officers and directors in respect of acts or omissions occurring prior to the Effective Time to the maximum extent permitted under the Companies Act. Until the third anniversary

of the Effective time, the Company shall maintain in effect and provide officers' and directors' liability insurance in respect of acts or omissions occurring prior to the Effective Time covering each such person on terms with respect to coverage and amount no less favorable than those of such policy in effect as of September 19, 1997.

Conversion and Exchange of Shares. Upon consummation of the Amalgamation: (i) each ordinary share of Sub outstanding immediately prior to the effectiveness of the Amalgamation will be converted into and exchanged for one share of the Amalgamated Company; (ii) the holder of each Frontline Ordinary Share outstanding immediately prior to the Effective Time will receive 3.2635 LOF Ordinary Shares with associated Rights and a Fraction of a New Warrant for each Frontline Ordinary Share then held by him or her; (iii) the certificates evidencing each Frontline Ordinary Share theretofore outstanding will thereafter be canceled; and (iv) the certificates evidencing each LOF Ordinary Share held by Frontline theretofore outstanding will be canceled.

Surrender of Certificates; No Fractional Shares or Warrants. Frontline has selected The Bank of New York as exchange agent (the "Exchange Agent") to effect the exchange of certificates in connection with the Amalgamation. As soon as practicable after the Effective Time, the Exchange Agent will mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding Frontline Ordinary Shares ("Certificates") a letter of transmittal or form of acceptance for overseas holders of Frontline Ordinary Shares (which shall specify that delivery shall be effected, and risk of loss and title to the Certificate shall pass, only upon receipt of the Certificate by the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for certificates representing whole LOF Ordinary Shares and whole New Warrants. **SHAREHOLDERS OF FRONTLINE SHOULD NOT SURRENDER THEIR CERTIFICATES FOR EXCHANGE UNTIL SUCH LETTER OF TRANSMITTAL OR FORM OF ACCEPTANCE AND INSTRUCTIONS ARE RECEIVED.** Upon surrender to the Exchange Agent of a Certificate for exchange together with a duly executed letter of transmittal or form of acceptance, the holder of such Certificate will be entitled to receive in exchange therefor a certificate representing the aggregate number of whole LOF Ordinary Shares with associated Rights and whole New Warrants to which such holder shall have become entitled pursuant to the Amalgamation Agreement, and the Certificate so surrendered shall be retained and canceled by Frontline. If a Certificate is defaced, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence, indemnity and payment of the costs and out of pocket expenses of Frontline in investigating such evidence and preparing such indemnity as the Board of Directors of Frontline may think fit and, in case of defacement, on delivery of the Certificate to Frontline.

No dividends or other distributions with respect to LOF Ordinary Shares payable to the holders of record thereof will be paid to the holder of any unsurrendered Certificate until the holder thereof surrenders such Certificate subject to the effect, if any, of applicable law. After the surrender and exchange of a Certificate, the record holder thereof will be entitled to receive any such dividends or other distributions without any interest thereon, which theretofore had been payable in respect of LOF Ordinary Shares.

If certificates representing LOF Ordinary Shares or New Warrants are to be issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it is a condition of the issuance of the new certificate representing LOF Ordinary Shares or New Warrants that the Certificate so surrendered be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such exchange pay to the Exchange Agent in advance any documentary, stamp, transfer or other taxes or governmental charges required by reason of the issuance of a certificate representing LOF Ordinary Shares or New Warrants in name other than that of the registered holder of the Certificate surrendered, or required for any other reason, or establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

After the Effective Time, there will be no registration of transfers on the share transfer books of Frontline of the Frontline Ordinary Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer, such Certificates will be retained

by the Company and exchanged for certificates representing LOF Ordinary Shares and New Warrants pursuant to the terms of the Amalgamation Agreement.

No fractional LOF Ordinary Shares will be issued in the Amalgamation. All fractional LOF Ordinary Shares that a holder of such shares would otherwise be entitled to receive as a result of the Amalgamation shall be aggregated but if a fractional share results from such aggregation, the holder shall receive in lieu thereof, cash payment (without interest) representing such holder's proportionate interest in the net proceeds from the sale by the Exchange Agent (following deduction of applicable transaction costs), on behalf of all such holders, of LOF Ordinary Shares representing such fractions.

The Company shall not upon the exercise of a New Warrant issue fractional LOF Ordinary Shares. Without such a restriction, the exercise of a New Warrant could lead to the issuance of fractional LOF Ordinary Shares in the event that the Company declares a share dividend or reclassification during the period that the New Warrants are exercisable. With respect to any fractional LOF Ordinary Share called for upon the exercise of any New Warrant(s), the Company shall round-up such fraction to the nearest whole number in cases of fractions greater than or equal to one-half and round down (and shall cancel such fraction) in cases of fractions less than one-half. The holder of a New Warrant shall not receive consideration for such fraction upon its rounding down and cancellation.

Expenses and Fees. Under the Amalgamation Agreement each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution, delivery and performance of the Amalgamation Agreement. Frontline retained Morrow & Co., Inc. (the "Information Agent") to act as Information Agent in connection with the Offer and the conversion and exchange of Frontline Ordinary Shares held by Frontline shareholders for newly issued LOF Ordinary Shares and New Warrants. The Information Agent may contact holders of Frontline Ordinary Shares by mail, telephone, fax, electronic mail and personal interviews and may request brokers, dealers and other nominee holders to forward the materials to holders of such shares. In addition, The Bank of New York will act as Exchange Agent in the United States and the United Kingdom ("UK") in connection with the Amalgamation. The Information Agent and the Exchange Agent will receive customary compensation for such services.

Conditions to the Amalgamation. The obligations of Frontline and the Company to consummate the Amalgamation are subject to the satisfaction, at or prior to the Effective Time, of the following conditions, none of which may be waived: (a) the consent of the Minister of Finance to the Amalgamation shall have been obtained and shall remain in full force and effect; (b) the approval of the Authority shall have been obtained in connection with the issuance of LOF Ordinary Shares and New Warrants and shall remain in full force and effect; (c) the Registration Statement relating to the newly issued LOF Ordinary Shares and New Warrants to be issued pursuant to the Amalgamation Agreement shall have become effective under the 1933 Act, and shall not be subject to a stop order or threatened stop order; and (d) neither Frontline nor the Company shall be subject to any order, decree or injunction of a court of competent jurisdiction which enjoins or prohibits the consummation of the Amalgamation. The conditions to the Amalgamation set forth in clauses (a) and (b) have already been satisfied. In addition, shareholder approval of Company Proposal 1 and Frontline Proposal 2 are required to consummate the Amalgamation.

Amendment and Termination. In accordance with the terms of the Amalgamation Agreement, certain of its provisions may be waived or amended at any time before the Effective Time, in the case of an amendment, pursuant to a written agreement, signed by the Boards of Directors of Frontline and the Company, or in the case of waiver, by the party against whom the waiver is effective, except that the approval of at least one Continuing Director is required to authorize any termination of the Amalgamation Agreement by the Company; any approval by the Company of any amendment of the Amalgamation Agreement; any approval by the Company required for the beneficial ownership of Frontline Ordinary Shares by Frontline's Principal Shareholder to fall below 35% of the outstanding Frontline Ordinary Shares; any action by Frontline or the Company to impair the

Amalgamation, declare any dividend or take action adverse to the holders of LOF Ordinary Shares or to terminate certain severance arrangements of the Company; any extension by the Company of time for the performance of any of the obligations or other acts of Frontline or its affiliates under the Amalgamation Agreement and any waiver of compliance with any of the agreements or conditions under the Amalgamation Agreement for the benefit of the Company. In addition, the approval of one of the Continuing Directors is sufficient to authorize any action to seek to enforce any obligation of Frontline or its affiliates under the Amalgamation Agreement. After the Amalgamation Agreement is approved by the Company's shareholders, there can be no amendment or supplement which alters or changes (i) the amount or kind of consideration to be received in exchange for any Frontline Ordinary Shares held by Frontline shareholders, (ii) any terms of the memorandum of association of the Amalgamated Company (being Frontline and Sub) or (iii) any of the terms or conditions of the Amalgamation Agreement if such alteration or change would adversely affect shareholders of the Company and/or Frontline without Shareholder approval. The Amalgamation Agreement may be terminated either by the Company or Frontline if there shall be any law or regulation that makes the Amalgamation illegal or otherwise prohibited or if consummation of the Amalgamation would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction.

The Alternative Amalgamation. Upon the earlier of (i) Frontline's failure to obtain the required approval of its shareholders in connection with the Amalgamation and (ii) the failure of the Amalgamation to have occurred by May 22, 1998, the Amalgamation as contemplated by the Amalgamation Agreement would be restructured in accordance with the relevant provisions of the Companies Act and the Amalgamation Agreement. Under the alternative amalgamation structure (the "Alternative Amalgamation"), a newly-formed, wholly-owned subsidiary of Frontline would amalgamate with the Company and the Alternative Amalgamation would be consummated in a manner consistent as closely as possible with the intent of the parties reflected in the Amalgamation Agreement. Frontline Ordinary Shares would be issued to shareholders of the Company in consideration of the cancellation of their LOF Ordinary Shares based upon an exchange ratio of one divided by the Exchange Ratio. The Alternative Amalgamation would not require the approval of the Frontline shareholders.

The material differences between the Amalgamation and the Alternative Amalgamation are that under the Alternative Amalgamation the Company would be delisted from NASDAQ/NM and the resulting combined company would not be registered with the Commission under the Securities Exchange Act of 1934, as amended. In the event of the occurrence of the Alternative Amalgamation, the Company and Frontline will negotiate in good faith an amendment to the Amalgamation Agreement to reflect the foregoing.

Regulatory Approval. The Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR"), as amended, provides that certain acquisitions may not be consummated unless certain information has been previously furnished to the Antitrust Division of the Department of Justice and the Federal Trade Commission and certain waiting period requirements have been satisfied. Based upon informal discussions with the Staff of the Federal Trade Commission, the Company concluded that it did not have assets having an aggregate book value of \$15 million or more which would be considered to be located in the United States for purposes of HSR. In reliance upon a representation to such effect in the Amalgamation Agreement, Frontline concluded that a premerger notification filing under HSR would not be required.

In connection with the Amalgamation, the Company is required to obtain the approval of (i) the Authority for the authorization and issuance of LOF Ordinary Shares and New Warrants to shareholders of Frontline, and (ii) the Minister of Finance for the Amalgamation, which approvals have already been obtained.

Certain subsidiaries of Frontline and the Company are licensed to engage in business and are supervised or regulated by a number of foreign jurisdictions. While the managements of the Company and Frontline believe that no other governmental or regulatory action is required in connection with the Amalgamation under applicable law, given the pervasive nature of regulation of shipping companies and the powers and discretion

granted to shipping regulatory agencies, there can be no assurance that one or more governmental agencies will not request information or impose requirements with respect to the Amalgamation.

Fairness Opinion of the Company's Investment Banker. The Company retained Gleacher NatWest (along with NatWest Securities Limited, an affiliate of Gleacher NatWest) to act as the Company's financial advisor based upon its qualifications, expertise and reputation, as well as NatWest Securities Limited's prior investment banking relationship and familiarity with the Company. At the meeting of the Company's Board of Directors on September 19, 1997, Gleacher NatWest delivered a written opinion to the Company's Board of Directors to the effect that the Offer Price to be received by holders of LOF Ordinary Shares pursuant to the Offer and the issuance of newly issued LOF Ordinary Shares and New Warrants to shareholders of Frontline pursuant to the Amalgamation are fair from a financial point of view to the Company's shareholders.

THE FULL TEXT OF GLEACHER NATWEST'S OPINION, WHICH SETS FORTH, AMONG OTHER THINGS, ASSUMPTIONS MADE, PROCEDURES FOLLOWED, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS EXHIBIT B TO THIS JOINT PROXY STATEMENT/PROSPECTUS. THE COMPANY'S SHAREHOLDERS ARE URGED TO READ THE GLEACHER NATWEST OPINION CAREFULLY AND IN ITS ENTIRETY. THE SUMMARY OF THE OPINION OF GLEACHER NATWEST SET FORTH IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

GLEACHER NATWEST'S OPINION IS ADDRESSED TO THE COMPANY'S BOARD OF DIRECTORS AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY HOLDER OF SHARES AS TO HOW SUCH SHAREHOLDER SHOULD VOTE AT THE COMPANY'S SPECIAL GENERAL MEETING.

In connection with rendering its opinion, Gleacher NatWest, among other things: (i) reviewed the audited financial statements for the three most recent fiscal years and interim periods of the Company; (ii) discussed the past and current operations, the financial condition and the prospects of the Company with the management of the Company; (iii) reviewed the financial terms of the proposed Offer and Amalgamation as described in the Amalgamation Agreement with the management of the Company; (iv) reviewed the historical market prices and reported trading volumes of Shares and Frontline Ordinary Shares; (v) compared the price per share offered in the Offer to historical market prices of the Shares; (vi) reviewed the prices and reported trading activity of the securities of certain publicly traded companies whose operating characteristics and/or industry focus it believed to resemble those of the Company and Frontline; (vii) reviewed the financial terms of recent selected acquisitions of publicly traded companies with a market capitalization similar to that of the Company; (viii) performed a leveraged recapitalization analysis of the Company based upon financial information provided to it by the management of the Company; (ix) reviewed such other information and performed such other analysis as it deemed appropriate; and (x) contacted a significant number of potential merger partners on behalf of the Company, shared confidential information of the Company with such potential partners, solicited indications of interest from such potential partners and conducted in-depth discussions involving management of the Company with a number of potential partners.

In rendering its opinion, Gleacher NatWest assumed and relied upon, without assuming responsibility for independent verification thereof, the accuracy and completeness of the information reviewed by it. Gleacher NatWest also assumed, based upon the information which had been provided to it and without assuming responsibility for independent verification thereof, that no material undisclosed or contingent liability exists with respect to the Company or Frontline. Gleacher NatWest's opinion is based necessarily on the economic, market, and other conditions as in effect on, and the information made available to it as of, the date of its opinion.

The following is a summary of the material analyses presented by Gleacher NatWest to the Company's Board on September 5 and updated on September 19, 1997, in connection with rendering its opinion.

Review of the Sale Process. Gleacher NatWest reviewed the controlled auction process which it had conducted in conjunction with the search for a strategic partner for the Company. Gleacher NatWest indicated that this process began in February 1997 with a Company press release indicating the Company's intention to "explore a range of strategic alternatives" and its retention of Gleacher NatWest. Gleacher NatWest further indicated that it contacted a significant number of companies on behalf of the Company, and that a small number of companies conducted management meetings and data room visits and made final proposals.

Comparable Company Analysis. Gleacher NatWest reviewed the offer price of \$15.91 per ADS relative to the recent stock price performance of Frontline and of other publicly traded oil tanker companies (the "Comparable Companies"). The Comparable Companies included Teekay Shipping, First Olsen Tankers, Benor Tankers, Nordstrom & Thulin, ICB, OMI Corporation and Bona Shipholding. This analysis indicated that since February 26, 1997 (the day prior to the Company's press release announcing its intention to explore a range of strategic alternatives), the stock prices of the Comparable Companies had increased, on average, 24.1%. Since that date, Frontline's stock price had increased 45.1%. In comparison, the offer price of \$15.91 per ADS represented a 35.4% increase relative to the Company's ADS price of \$11.75 at the close of trading on February 26, 1997.

Gleacher NatWest also reviewed the stock prices of the Comparable Companies and of the Company and Frontline relative to their 52-week high and 52-week low prices. This analysis indicated that the Comparable Companies were, on average, trading at a 2.9% discount to their 52-week high and a 49.8% premium to their 52-week low. Frontline was trading at a 2.9% discount to its 52-week high and a 73.8% premium to its 52-week low. The offer price of \$15.91 per ADS represented a 6.1% premium to the Company's 52-week high and a 35.4% premium to its 52-week low.

Comparable Transaction Analysis. Gleacher NatWest reviewed the premiums paid in certain selected precedent acquisitions of public companies of comparable size to the Company (none of which were in the shipping industry), in transactions which were announced in 1997 and in which cash was more than 50% of the consideration. Comparable size was defined as a market equity value of \$100 million to \$200 million. This analysis indicated that the average premium paid relative to the target company's stock price one day prior to announcement of the transaction was 23.7%, and that the average premium relative to the target company's stock price one month prior to announcement was 32.2%. In comparison, the offer price of \$15.91 per ADS represented a premium of 35.4% to the Company's share price one day prior to its February 27, 1997 announcement, and a premium of 31.2% to the Company's ADS price one month prior to this announcement.

No company or transaction used in the comparable company and comparable transaction analyses is identical to the Company or the Combination. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the Company and other factors that could affect the public trading value of the companies to which they are being compared. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable transaction data or comparable company data.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Gleacher NatWest believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion and the presentation to the Company's Board. Gleacher NatWest has not indicated that any of the analyses which it performed had a greater significance than any other. In addition, Gleacher NatWest may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Gleacher NatWest's view of the actual value of the Company.

In performing its analyses, Gleacher NatWest made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of

the Company or Frontline. The analyses performed by Gleacher NatWest are not necessarily indicative of actual values, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as a part of Gleacher NatWest's analysis of the fairness of the Offer Price received by holders of LOF Ordinary Shares and ADSs pursuant to the Offer and the issuance of newly issued LOF Ordinary Shares and New Warrants to shareholders of Frontline and were provided to the Company's Board in connection with the delivery of Gleacher NatWest's opinion. Gleacher NatWest did not make an independent evaluation or appraisal of the assets or liabilities of the Company, nor was it furnished with any such evaluation or appraisal. Gleacher NatWest did not express any opinion as to what the value of the securities of the Company actually would be following the consummation of the Amalgamation. In addition, as described above, Gleacher NatWest's opinion and presentation to the Company's Board was one of many factors taken into consideration by the Company's Board in making its determination to approve the Offer and the Amalgamation. Consequently, the Gleacher NatWest analyses described above should not be viewed as determinative of the opinion of the Company's Board or of its management's opinion with respect to the value of the Company.

Gleacher NatWest is an internationally recognized investment banking and advisory firm that regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions.

Pursuant to an engagement letter dated September 27, 1996, the Company agreed to pay Gleacher NatWest and NatWest Markets a cash fee equal to 1.0% of the Aggregate Value of the transaction (as defined therein), payable upon completion of the Offer, for all advisory services rendered, including the opinion discussed herein. The Company paid Gleacher NatWest a fee of approximately \$2 million upon completion of the Offer. In addition, the Company has agreed, among other things, to reimburse Gleacher NatWest for all reasonable out-of-pocket expenses incurred in connection with the services provided by Gleacher NatWest, and to indemnify and hold harmless Gleacher NatWest and certain related parties from and against certain liabilities and expenses, including certain liabilities under the U.S. federal securities laws, in connection with its engagement.

Frontline did not obtain a fairness opinion in connection with the Offer or the Amalgamation.

Certain United States Federal Income Tax Consequences

The following summarizes the significant United States federal income tax consequences of the Amalgamation and Sale to shareholders of Frontline who are subject to United States federal income taxation with respect to income they derive from their ownership of Frontline Ordinary Shares (the "United States Frontline Shareholders"), and to shareholders of the Company who are subject to United States federal income taxation on a net basis with respect to income they derive from their ownership of Shares in the Company (the "United States Company Shareholders"). Since none of the parties to the Amalgamation Agreement will apply for a ruling from the Internal Revenue Service regarding the United States federal income tax consequences of the Amalgamation, there can be no assurances that the Internal Revenue Service or a court would agree with the tax consequences summarized below.

Due to the absence of any authority involving facts substantially identical to the Transactions, in the opinion of Seward & Kissel the United States federal income tax consequences of the Transactions to United States Frontline Shareholders are not entirely clear. Based on the form of the Transactions, it is likely that the Internal Revenue Service would seek to treat the Transactions as a taxable sale by Frontline of all of its assets in consideration for the LOF Ordinary Shares, Rights and New Warrants and the assumption of all of Frontline's liabilities. While Frontline would not be subject to any United States federal income taxation under this treatment, each United States Frontline Shareholder would realize and recognize a taxable gain or loss for United States federal income tax purposes in an amount equal to the difference between (i) the aggregate fair market value of the LOF Ordinary Shares, Rights and New Warrants it receives pursuant to the Transactions, and (ii) its aggregate tax basis in its Frontline Ordinary Shares. Under this treatment, a United States Frontline Shareholder would have a tax basis in

its LOF Ordinary Shares, Rights and New Warrants equal to their respective fair market values, and its holding period in the LOF Ordinary Shares, Rights and New Warrants would commence at the Effective Time.

Notwithstanding the analysis set forth above, because Frontline currently owns approximately 80 percent of the issued and outstanding LOF Ordinary Shares by reason of the Offer, and the Amalgamation and Sale will occur simultaneously pursuant to an integrated plan, Seward & Kissel believes it is more likely than not that the Transactions will qualify as qualifying as a reorganization within the meaning of section 368(a)(1)(D) of the Internal Revenue Code. Under this alternative treatment, a United States Frontline Shareholder would realize a gain or loss pursuant to the Transactions equal to the difference between (i) the aggregate fair market value of the LOF Ordinary Shares, Rights and New Warrants it receives, and (ii) its aggregate tax basis in its Frontline Ordinary Shares. However, under existing law, a United States Frontline Shareholder that realizes a gain currently would be subject to United States federal income taxation on such gain only to the extent of the fair market value of the Rights and New Warrants as of the Effective Time. Such a United States Frontline Shareholder would generally have the same tax basis and holding period in its LOF Ordinary Shares as it did with respect to its Frontline Ordinary Shares. The United States Frontline Shareholder's tax basis in its Rights and New Warrants would be equal to the amount of taxable income it recognizes upon receipt of the Rights and New Warrants, and its holding period in the Rights and New Warrants would commence at the Effective Time. It is noted that recently finalized United States Treasury regulations would eliminate any current United States federal income taxation to a United States Frontline Shareholder under this alternative treatment of the Transactions if the Effective Time of the Transactions were to be on or after March 9, 1998.

A United States Company Shareholder will not recognize any gain or loss for United States federal income tax purposes by reason of the Amalgamation or the Sale.

Each United States Frontline Shareholder and United States Company Shareholder is urged to consult his or her own tax advisor on the consequences of the Transactions under U.S. federal, state and local and foreign tax laws.

Accounting Treatment. The Amalgamation will be accounted for as if it were a reverse acquisition under the purchase method of accounting. See "The Company's Unaudited Condensed Pro Forma Combined Financial Information."

THE PROPOSALS

DESCRIPTION OF COMPANY PROPOSALS

COMPANY PROPOSAL 1 - AMENDMENT TO THE COMPANY'S MEMORANDUM OF ASSOCIATION TO INCREASE THE AUTHORIZED SHARE CAPITAL AND ISSUANCE OF ORDINARY SHARES IN CONNECTION WITH THE AMALGAMATION

Reason for the Amendment

The Company's Memorandum of Association currently sets the Company's share capital at \$25,000,000, consisting of 100,000,000 LOF Ordinary Shares. In connection with the Amalgamation, the Company will issue to Frontline's shareholders an aggregate of 446,125,368 LOF Ordinary Shares and an aggregate of 26,000,000 New Warrants entitling Frontline's shareholders, assuming no adjustments, to purchase in the aggregate 26,000,000 LOF Ordinary Shares at the Exercise Price. As part of the Amalgamation, subject to shareholder approval, the Company's prior Board of Directors recommended approval of an increase in the authorized share capital of the Company. Subsequently, the current Board of Directors approved setting the authorized share capital of the Company at \$250,000,000 (equivalent to 1,000,000,000 LOF Ordinary Shares).

Taking into account the 14,933,241 LOF Ordinary Shares currently held by the shareholders of the Company other than Frontline, the Company's Memorandum of Association would need to be amended to increase its authorized share capital to at least \$151,272,488 consisting of 605,089,951 LOF Ordinary Shares in order for the Company to fulfill its obligations under the Amalgamation Agreement. In addition, the Company's Board of Directors believes that it should have the flexibility to issue additional equity securities in connection with matters such as grants of options, warrants and acquisitions of assets or businesses. Accordingly, the Company's Board has approved the amendment of the Company's Memorandum of Association in order to increase its authorized capital to \$250,000,000 (equivalent to 1,000,000,000 LOF Ordinary Shares). However, once the LOF Ordinary Shares are issued to Frontline's shareholders in the Amalgamation, the balance of the Company's capital may be allocated as the Board deems fit pursuant to the Company's Bye-Laws, as amended. See "Company Proposal 2 - Adoption of Frontline's Bye-Laws" elsewhere herein.

Summary of the Amalgamation and Sale

The following is a summary of the material terms and provisions of the Amalgamation Agreement. This summary is qualified in its entirety by reference to the terms and conditions of the Amalgamation Agreement, which Amalgamation Agreement, excluding schedules and exhibits thereto, is set forth as Exhibit A to this Joint Proxy Statement/Prospectus and is incorporated herein by reference. Shareholders of the Company should read "The Amalgamation and Sale."

For additional information concerning the transactions and relationships among Frontline, the Company and their respective subsidiaries and affiliates see "The Amalgamation and Sale," "Information Concerning the Company - Certain Relationships and Related Transactions" and "Information Concerning Frontline - Certain Relationships and Related Transactions" elsewhere herein.

General

The Amalgamation Agreement provides that subject to the satisfaction or (where legally permissible) waiver of certain conditions, including, among other things, the consent of the Authority to permit the issuance of a sufficient number of LOF Ordinary Shares, Sub will be amalgamated with Frontline. As a result of the Amalgamation, Frontline's shareholders will receive 3.2635 LOF Ordinary Shares with associated Rights and a Fraction of a New Warrant in exchange for each Frontline Ordinary Share held by them, and the Amalgamated Company resulting from the amalgamation will become a wholly-owned subsidiary of the Company. No fractional LOF Ordinary Shares or New Warrants shall be issued. Immediately thereafter, all of Frontline's assets and liabilities vested in the Amalgamated Company will be sold to the Company at their fair market value in consideration for a note, the name of the Company will be changed to "Frontline Ltd." and Frontline's Bye-Laws, as amended, will become the Bye-Laws of the Company. See "Frontline Proposal 1 - Amendment and Restatement of Frontline's Bye-Laws."

Recommendation of the Current Board of Directors of the Company

The current Board of Directors of the Company (which is comprised of four directors appointed by Frontline and two Continuing Directors) believes that Company Proposal 1 is in the best interests of the Company and the shareholders of the Company and has approved the proposal. Accordingly, on January 28, 1998, the current Board of Directors of the Company, upon the recommendation of one of the directors appointed by Frontline, ratified and approved a series of transactions which collectively constitute the Combination of the Company with Frontline.

The foregoing constitutes the recommendation of the current Board of Directors of the Company. For the recommendation of the Board of Directors in office prior to the Purchase Dates, including the Continuing

Directors, see "Recommendation of the Prior Board of directors of the Company; Background and Reasons for the Amalgamation" immediately below.

Recommendation of the Prior Board of Directors of the Company; Background and Reasons for the Amalgamation

The Company has, since September 1996, been engaged in an ongoing strategic review of its business with a view to enhancing long-term shareholder value. The strategic review was motivated in large part by the illiquidity and underperformance of the Shares relative to that of other companies in the peer group, which illiquidity and underperformance were perceived by the Company management to be due to the small size of the Company. On September 27, 1996, the Company engaged Gleacher Natwest Inc. and NatWest Securities Limited (collectively referred to hereinafter as "NatWest") as its financial advisors to assist in this review. In the process, the Company considered various commercial and strategic alternatives, including analyses of potential business combinations with other companies. On February 27, 1997, the Company announced in a press release its intention to explore such strategic alternatives. The Company also retained Davis Polk & Wardwell ("DP&W") as legal counsel to assist in this process.

In connection with its strategic review, the Company authorized NatWest to conduct an auction process to identify suitable partners for a business combination. From late February to late April 1997, NatWest conducted the first round of this action with a view to identifying potential strategic partners for the Company. Over such period, NatWest received proposals from 10 entities. On April 24, 1997, following a presentation from NatWest, the then Board of Directors authorized the Company management and NatWest to pursue further discussions with six of such entities, including Frontline. By June 4, 1997, the Company had received final offers from four companies, including Frontline. The Board of Directors met on June 11, 1997 and following a presentation by NatWest, determined that another entity, not Frontline, had offered the best proposal and authorized the Company to pursue discussions with such other entity (the "Other Lead Bidder"). The Other Lead Bidder's offer consisted of an asset-for-stock exchange whereby the Company would issue LOF Ordinary Shares in exchange for certain assets of the Other Lead Bidder. Such offer did not include a cash component.

In the midst of discussions with the Other Lead Bidder, on June 23, 1997, Mr. Miles Kulukundis, the Chief Executive Officer of the Company, met with Mr. Tor Olav Trøim, a director of Frontline, at the request of Mr. Trøim. At that meeting, Mr. Trøim indicated Frontline's willingness to increase its previous offer. On July 8, 1997, NatWest received a revised bid letter from Frontline proposing a business combination of Frontline and the Company in an all stock transaction in which Frontline Ordinary Shares would be exchanged for a number of LOF Ordinary Shares equal to an average market price of one Frontline Share divided by 1.591, a proposal which effectively valued each LOF Ordinary Share at \$1.591 (which translates into \$15.91 per ADS). At a meeting on July 9, 1997, the Board of Directors determined the Frontline offer to be superior to that of the Other Lead Bidder, and in light of such superior offer, determined that management should pursue negotiations with Frontline. On July 9, 1997, the Company entered into an exclusivity agreement in favor of Frontline with a duration of 30 days, which agreement has since expired. The Other Lead Bidder did not submit another proposal upon learning that the LOF Board of Directors had determined Frontline's offer to be superior.

On July 23, 1997, Mr. Trøim met with Mr. Kulukundis and indicated Frontline's desire to transform its original all-stock proposal into a proposal in which (i) one-half of the LOF Ordinary Shares would be acquired for cash at \$1.591 per share and the remaining half would retain their LOF Ordinary Shares and (ii) the Frontline Shares would be exchanged for LOF Ordinary Shares at the exchange ratio described above and new warrants to purchase LOF Ordinary Shares. This proposal was presented in a revised bid letter from Frontline dated July 28, 1997. During this period until the signing of the definitive agreements, the Company and its legal and financial advisors undertook their due diligence investigation of Frontline. Based in part on the Company's Board and management's belief that a choice between cash and stock consideration on the part of the Company shareholders was in the best interest of the shareholders, the Company's Board considered the cash-stock proposal to be

acceptable in principle. The Company's Board, however, wished to ensure that the Company shareholders had a substantial ability to choose between cash and stock, and had initially proposed that shareholders be able to choose up to 100 percent cash in the Combination. After several weeks of negotiations on various structures for the Combination, following an August 20, 1997 meeting between Frontline, Company representatives and their respective financial and legal advisors, the parties agreed in principle to proceed on the basis of the two-step transaction reflected in the Amalgamation Agreement.

In the weeks following the August 20, 1997 meeting, representatives of Frontline and the Company and their respective financial and legal advisors continued to negotiate and finalize the terms of the Amalgamation Agreement, the exhibits and schedules thereto, and the related agreements, including provisions relating to adequate Board representation by the Continuing Directors after closing of the Offer and before consummation of the Amalgamation and certain approval rights of such Continuing Directors prior to consummation of the Amalgamation; restrictions on conduct of business of the parties up to closing of the Offer; circumstances for payment of a termination fee by the Company; and restructuring of the Amalgamation under certain circumstances. On or about August 29, 1997, the Company learned of Frontline's proposed offer for ICB, and the Company subsequently had discussions and negotiations with Frontline on provisions of the Amalgamation Agreement affected by the proposed ICB Transaction.

A Company Board meeting was held on September 5, 1997, at which the Company's financial and legal advisors made presentations to the Board on the Frontline transaction. The general consensus of the Company's Board was in favor of the transaction, subject to satisfactory resolution of certain open issues.

On September 19, 1997, the Company's Board held a telephonic meeting to discuss the proposed transaction. At this meeting, NatWest summarized and updated the presentation it had made at the September 5, 1997 Board meeting and delivered its opinion as to the fairness from a financial point of view to the Company's shareholders of the consideration offered in the Offer and in the Amalgamation. At the meeting DP&W updated the Board on the progress that had been made in negotiations on legal aspects of the transaction since the September 5 meeting and described the manner in which open issues had been resolved. Based in part on the opinion of its financial advisors and the presentation of its financial and legal advisors, the Board of Directors of the Company in office as of September 19, 1997, unanimously (i) determined that the Amalgamation Agreement and the transactions contemplated thereby, including the Offer and the Amalgamation, are fair to and in the best interest of the Company and the Company's shareholders, (ii) approved the Amalgamation Agreement and the transactions contemplated thereby, including the Offer and the Amalgamation and (iii) recommended to the Company shareholders: acceptance of the Offer and, to shareholders of the Company who continue to hold Shares after consummation of the Offer, approval of the increase in authorized share capital of the Company and the issuance of new LOF Ordinary Shares and New Warrants in connection with the Amalgamation.

The Amalgamation Agreement and related agreements were executed after the close of trading on September 19, 1997, and Frontline and the Company issued a joint press release announcing such execution on September 22, 1997.

The Board of Directors of the Company reached the determinations and recommendations set forth above based on the following material reasons and factors:

- the results of the strategic review conducted by the Company with a view to enhancing shareholder value;
- management's assessment of market, economic and industry conditions and alternatives available to the Company in light thereof;

- the auction conducted by the Company management and NatWest and the Company's assessment of Frontline's proposal relative to those of other bidders;
- the historical and then recent market prices of the Shares and the fact that the Offer and the Amalgamation would enable the Company shareholders to realize a significant premium over the prices at which the Shares traded prior to the announcement of the intention of the Board to explore strategic alternatives;
- the opinion of NatWest to the effect that the consideration in the Offer and the Amalgamation is fair to the Company's shareholders from a financial point of view (a copy of such opinion is attached as Exhibit B);
- the fact that the Frontline first-step cash tender offer constituted an offer to purchase up to 90% of the outstanding Shares for cash. This gave the Company's shareholders a substantial ability to choose cash if they so wished, while also presenting shareholders a substantial choice to retain an equity stake in the combined company;
- the historic and recent market prices of Frontline Shares and the fact that Frontline Ordinary Shares were trading at or around historical highs;
- the number and terms of the New Warrants to purchase LOF Ordinary Shares to be issued to Frontline shareholders in the Amalgamation, and their dilutive effect on the pro forma ownership of the combined company by the Company shareholders;
- information with regard to the financial condition, results of operations, capital structure, business and prospects of Frontline, including Frontline's proposed ICB Transaction and the planned financing thereof;
- the increased liquidity that shareholders who continue to hold Shares after the Amalgamation would enjoy due to the increased market capitalization of the combined company; and
- the other terms and conditions of the Amalgamation Agreement, including the absence of a financing condition and the inclusion of certain other provisions providing protection for completion of the Offer and the Amalgamation.

The agreement of Frontline's Principal Shareholder to vote in favor of the Amalgamation assured the Company's Board of the support of Frontline's Principal Shareholder for the Amalgamation thereby increasing the likelihood that the Amalgamation would be consummated. It was important to the Company's Board to ensure consummation of the Amalgamation because the Board (1) considered the Amalgamation to be in the best interests of the shareholders, including those shareholders who would not choose to tender their shares to Frontline and (2) desired that such shareholders not hold a relatively illiquid minority position in a company controlled by a major shareholder. In view of the wide variety of factors considered in connection with its evaluation of the Offer and the Amalgamation and the complexity of these matters, the Company's Board did not find it practicable to and did not attempt to quantify, rank or otherwise assign relative weights to these factors. In addition, the Board did not undertake to make any specific determination as to whether any particular factor (or any aspect of any particular factor) was favorable or unfavorable to the Board's ultimate determination, but rather conducted an overall analysis of the factors described above, including through discussions with and questioning of the Company's management

and its legal and financial advisors. In considering the factors described above, individual members of the Board may have given different weight to different factors.

Dissenters' Rights

Holders of LOF Ordinary Shares and ADSs who did not tender their Shares in the Offer have no dissenters' rights under the Companies Act ("Dissenters' Rights") in connection with the Amalgamation and Sale.

Required Vote

Approval of Company Proposal 1 will require the affirmative vote of a majority of the LOF Ordinary Shares present in person or by proxy and entitled to vote (with the requisite quorum of 1/3 of the issued and outstanding LOF Ordinary Shares present in person or by proxy (the "LOF Quorum")) on such proposal. Unless indicated to the contrary, the enclosed proxy will be voted FOR adoption of Company Proposal 1.

Frontline has agreed to vote its Shares in favor of Company Proposal 1. The only member of the Company's management who owns LOF Ordinary Shares is John Fredriksen, who owns such shares through his indirect control of Frontline's Principal Shareholder. Since Frontline has agreed to vote its Shares in favor of Company Proposal 1, Mr. Fredriksen's Shares will be voted in favor of Company Proposal 1.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF COMPANY PROPOSAL 1.

COMPANY PROPOSAL 2 - ADOPTION OF FRONTLINE'S AMENDED BYE-LAWS

The Company's present Bye-Laws were adopted in November 1993. In order to effectuate the Combination, the Company's Board voted unanimously on September 19, 1997, to authorize and approve the Amalgamation Agreement, which provides for the adoption by the Amalgamated Company of Frontline's Bye-Laws in their entirety, effective upon consummation of the Sale, subject to shareholder approval as required by the Company's Bye-Laws and Section 13(5) of the Companies Act. The complete text of the proposed amended Bye-Laws of Frontline (the "Amended Bye-Laws") is set forth in Exhibit C to this Joint Proxy Statement/Prospectus. The discussion in this Joint Proxy Statement/Prospectus is qualified in its entirety by reference to the Frontline Amended Bye-Laws.

Reasons for Adoption

The adoption of Frontline's Bye-Laws reflects the fact that, following the Combination, Frontline and the Company will constitute a combined company of which Frontline's shareholders will hold approximately 96.8% of the outstanding LOF Ordinary Shares after the Effective Time.

The material differences between the Company's present Bye-Laws and Frontline's Amended Bye-Laws are as follows:

1. Notice of Shareholder Meeting. Frontline's Amended Bye-Laws require seven days' prior written notice of any general meeting be given to shareholders. The present Bye-Laws of the Company require that shareholders receive not less than 21 days' notice if it is proposed to pass a special resolution and otherwise not less than 14 days' notice.

2. Norwegian Computerized Share Registry. Frontline's Amended Bye-Laws contain provisions which enable its shareholders to participate in the Norwegian Verdipapirsentralen (VPS) computerized central share registry. The Company's present Bye-Laws do not contain such provisions.

3. Norwegian Resident Control Restriction. Frontline's Amended Bye-Laws restrict a resident of Norway from holding 50% or more of the votes attached to the outstanding shares of Frontline and provide powers to the Board and Registrar to enforce that restriction.
4. Oslo Stock Exchange Disclosure Requirements. Frontline's Amended Bye-Laws provide for compliance with Oslo Stock Exchange requirements regarding transfer of shares resulting in major changes in percentage ownership.
5. Share Repurchase Subject to Exchange Rules. Frontline's Amended Bye-Laws allow for share repurchases by Frontline where there is no violation of the rules of the LSE, NASDAQ/NM or the Oslo Stock Exchange and where no Norwegian resident holds 50% or more of the shares after the repurchase. The Company's Bye-Laws also provide for share repurchases by the Company, but without any stated restrictions.
6. General Meeting Location Restriction. Frontline's Amended Bye-Laws require general meetings to be held outside of Norway.
7. Board Meeting Location Restriction. Frontline's Amended Bye-Laws require Board meetings to be held outside of Norway and the UK, while the Company's Bye-Laws require Board meetings to be held outside the UK.
8. Board Quorum. Frontline's Amended Bye-Laws require that a majority of the Board be present to constitute the necessary quorum to do business and that, of those present, a majority must not be residents of Norway. The Company's present Bye-Laws require a majority of the directors, with a minimum of two directors, be present to constitute a quorum of the Board.
9. Amalgamation. Frontline's Amended Bye-Laws empower the Board to Amalgamate with another company with the sanction of an affirmative vote of a simple majority of the Frontline Ordinary Shares cast at a general meeting of the Frontline shareholders. The present Bye-Laws of the Company, which are silent on this issue, adopt by default the relevant provision of the Companies Act which requires a vote of at least 75% of the outstanding shares to sanction an Amalgamation.
10. Amendment to Bye-Laws. Frontline's Amended Bye-Laws provide that the affirmative vote of a majority of the Frontline Ordinary Shares cast is required to alter such Bye-Laws. The present Bye-Laws of the Company provide that its Bye-Laws may be altered by a vote of a majority of the shareholders present in person or by proxy and voting, except that the affirmative vote of 66 2/3% of the LOF Ordinary Shares cast is required to amend the definition of special resolution and matters affecting its Board of Directors.
11. Material Interest. Frontline's Amended Bye-Laws require disclosure of a material acquisition or disposition of shares. The present Bye-Laws of the Company do not contain such a provision.
12. Attendance at General Meeting. Frontline's Amended Bye-Laws provide that no shareholder may attend any general meeting unless written notice of such shareholder's intention to attend and vote is delivered in a certain form to Frontline's registered office at least 48 hours prior to the scheduled general meeting or adjournment thereof. The present Bye-Laws of the Company do not contain such a provision.

Required Vote

Approval of Company Proposal 2 will require the affirmative vote of holders of 66 2/3% of the outstanding LOF Ordinary Shares. If Frontline shareholder approval of the Amalgamation is not obtained, the Company's present Bye-Laws will remain in effect. See "The Amalgamation and Sale - Amendment and

Termination"and "Recent Developments - The Amalgamation and Sale." Unless indicated to the contrary, the enclosed proxy will be voted FOR adoption of Company Proposal 2.

Frontline has agreed to vote its Shares in favor of Company Proposal 2.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF COMPANY PROPOSAL 2.

COMPANY PROPOSAL 3 - CHANGE OF NAME OF THE COMPANY TO "FRONTLINE LTD."

In connection with the Amalgamation and effective upon consummation of the Sale, subject to shareholder approval, the Company's Board approved changing the Company name to "Frontline Ltd." The Company's Board believes that the Frontline name will more appropriately reflect the ongoing business of the combined company and that following the Combination, the Company should be named "Frontline Ltd." In view of this change of name, the Company intends to apply to the NASDAQ/NM to have the trading symbol for the ADSs changed to "FRONY," effective at the Effective Time.

Required Vote

Approval of Company Proposal 3 will require the affirmative vote of a majority of the LOF Ordinary Shares present in person or by proxy and entitled to vote on such proposal. Unless indicated to the contrary, the enclosed proxy will be voted FOR adoption of Company Proposal 3.

Frontline has agreed to vote its Shares in favor of Company Proposal 3.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF COMPANY PROPOSAL 3.

COMPARISON OF FRONTLINE AND COMPANY ORDINARY SHARES

LOF Ordinary Shares

Currently, the Company is authorized to issue 100,000,000 LOF Ordinary Shares, par value \$0.25 per share, of which 73,725,816 shares were outstanding on October 31, 1997 (including LOF Ordinary Shares represented by ADSs). In addition, as of November 21, 1997, the Company had outstanding employee stock options to purchase up to 2,880,000 LOF Ordinary Shares (2,240,000 of which were exercisable); 1,245,588 existing warrants to purchase 1,245,588 LOF Ordinary Shares (all of which are exercisable); and 73,725,816 Rights (of which no rights are exercisable).

In connection with the Amalgamation, the Company's Board has adopted a resolution authorizing the issuance of LOF Ordinary Shares with associated Rights and New Warrants subject to shareholder approval of an amendment to the Company's Memorandum of Association to increase the authorized number of LOF Ordinary Shares of the Company.

The amendment to the Company's Memorandum of Association which would increase the Company's authorized capital to \$250,000,000 (equivalent to 1,000,000,000 LOF Ordinary Shares). The vote of a majority of the outstanding LOF Ordinary Shares present in person or by proxy and entitled to vote is required before the amendment may become effective. The proposed amendment is being submitted to the Company's shareholders for approval at the Company's Special General Meeting to be held on May 11, 1998. See "Company

Proposal 1 - Amendment to the Company's Memorandum of Association to Increase the Authorized Share Capital and Issuance of Ordinary Shares in Connection with the Amalgamation."

Pursuant to the Amalgamation Agreement, the Company is required to issue an aggregate of 26,000,000 New Warrants to the shareholders of Frontline, each exercisable for one LOF Ordinary Share subject to certain terms and conditions.

Each LOF Ordinary Share has been granted a non-detachable Right. See "Frontline Proposal 2 - Rights Plan."

Frontline Ordinary Shares

Frontline's authorized capital is \$220,000,000 and Frontline is authorized to issue 220,000,000 Frontline Ordinary Shares, par value \$1.00 per share, of which 136,701,507 shares were outstanding on the Record Date.

Additional Features

Holders of Frontline Ordinary Shares, LOF Ordinary Shares and ADSs do not have any preemptive rights or conversion rights, or sinking fund privileges. All of the outstanding Frontline Ordinary Shares, LOF Ordinary Shares and ADSs are duly authorized, validly issued, fully paid and nonassessable. The ordinary shares of Sub are duly authorized, validly issued and are owned directly by the Company, free and clear of all liens, claims and encumbrances.

The Company, Frontline and Sub are each incorporated in the Island of Bermuda. Shareholders of Frontline, whose rights as shareholders are governed by Bermuda law and Frontline's Memorandum of Association and Bye-Laws, will, upon consummation of the Amalgamation and Sale, become shareholders of the Company, and their rights upon consummation of the Amalgamation will be governed by Bermuda law, the Company's Memorandum of Association and Frontline's Bye-Laws, as adopted by the Company.

Set forth below is a summary of certain significant features of the rights of shareholders of the Company and Frontline under Bermuda law. This summary is not a complete or comprehensive comparison, and is qualified in its entirety by reference to Bermuda law, the Company's Memorandum of Association, the Company's Bye-Laws, Frontline's Memorandum of Association and Frontline's Bye-Laws.

Generally, Bermuda law permits a company to enter into an agreement to amalgamate, which sets forth the terms and conditions of the amalgamation, the mode of carrying the amalgamation into effect and the manner of converting shares of a company into shares of another company. Under Bermuda law, a company's Bye-Laws may prescribe the vote necessary to approve an amalgamation involving that company. Presently, Frontline's Bye-Laws effectively require the approval of 75% of the outstanding Frontline Ordinary Shares to approve an amalgamation. LOF's Bye-Laws effectively reach the same result. However, LOF's shareholders are not being asked to approve any amalgamation in connection with the Transactions. If Frontline Proposal 2 is approved, Frontline's Bye-Laws will require the affirmative vote of a majority of the votes cast in order to approve an amalgamation, and if Company Proposal 2 is approved, the Company's Bye-Laws will contain the same provision. Bermuda law requires that each share of an amalgamating company may vote even if it does not otherwise possess the right to vote.

Bermuda law provides for appraisal rights for shareholders who do not vote in favor of an amalgamation and who follow certain procedures. However, under Bermuda law, no written demand of payment to the amalgamating company is required, and instead, the dissenting shareholder must apply to the Supreme Court for a determination of the fair value of his shares.

Bermuda law permits the Bye-Laws of a company to provide that a majority is required to constitute a quorum for the transaction of any action at a meeting of directors. The Bye-Laws of both the Company and Frontline contain such a provision.

In Bermuda, the Bye-Laws of a company may authorize a company to indemnify its officers or directors against personal liability for anything done or omitted to be done by such officer or director except any acts of fraud or dishonesty. The Bye-Laws of both the Company and Frontline contain such indemnification provisions.

Bermuda law permits a company to purchase and maintain insurance to indemnify any officer or director against loss or liability imposed by a rule of law the officer or director breached in his capacity as an officer or director of the company. The Company currently maintains directors and officers liability insurance and intends to maintain such coverage following the Effective Time.

Under Bermuda law, an officer or director who has a material interest in a matter being considered by a company or is a party to such a contract is deemed to have acted dishonestly if he fails to disclose it to the company's directors.

MARKET PRICES, DIVIDENDS AND RELATED SHAREHOLDER MATTERS

Market Prices

The ADSs are quoted through NASDAQ/NM under the symbol "LOFSY." The ADSs are evidenced by ADRs issued by The Bank of New York, as depository. LOF Ordinary Shares are listed on the LSE under the symbol "LOFS."

The Frontline Ordinary Shares are traded on the Oslo Stock Exchange under the symbol "FRO."

Set forth in the tables below is certain information concerning the market prices of LOF Ordinary Shares and the Frontline Ordinary Shares, for the period beginning on April 1, 1996, and ending on March 31, 1998, in the case of the Company and beginning on January 1, 1996, and ending on March 31, 1998, in the case of Frontline. The first table shows the high and low closing prices for Shares for each quarter in that period as reported by NASDAQ/NM and the LSE. The second table sets forth the high and low closing bid and asked prices for Frontline Ordinary Shares for each quarter of that period as reported on the Oslo Stock Exchange and Frontline AB on the Stockholm Stock Exchange. The high and low closing prices for ADSs represent prices between dealers, may not necessarily represent actual transactions and do not include retail mark-ups, mark-downs or commissions and the high and low closing middle market quotations for LOF Ordinary Shares on the LSE are derived from its daily official list, in pence per LOF Ordinary Share.

LOF ORDINARY SHARES AND ADSs

Table 1

<u>Period</u>	<u>NASDAQ/NM</u>		<u>LSE</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	(ADSs)		(Ordinary Shares)	
Fiscal year ended March 31, 1997				
First quarter	\$13.38	\$12.31	£0.94	£0.84
Second quarter	\$14.38	\$13.50	£0.97	£0.94
Third quarter	\$14.50	\$11.81	£0.94	£0.76
Fourth quarter	\$14.50	\$11.75	£0.88	£0.66
Fiscal period ended December 31, 1997				
First quarter	\$14.50	\$13.50	£0.93	£0.80
Second quarter ¹	\$15.50	\$12.63	£0.97	£0.81
Third quarter	\$16.50	\$13.50	£0.94	£0.86
Fiscal year ended December 31, 1998 ²				
First quarter.....	\$14.50	\$12.00	£0.92	£0.67

1. On September 19, 1997, the date preceding the announcement of the execution of the Amalgamation Agreement, the closing price for ADSs, as reported on NASDAQ/NM, was \$15.38 and the middle market quotation of LOF Ordinary Shares as reported on the LSE was £0.935.

2. In November 1997 the Company changed its accounting reference date to December 31.

FRONTLINE ORDINARY SHARES

Table 2

Period	<u>Stockholm</u> <u>Stock Exchange</u>		<u>Oslo</u> <u>Stock Exchange</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Fiscal year ended December 31, 1996				
First quarter.....	SEK 20.2	SEK 16.8	-	-
Second quarter.....	SEK 22.8	SEK 17.1	-	-
Third quarter.....	SEK 23.4	SEK 20.1	-	-
Fourth quarter.....	SEK 25.0	SEK 21.5	-	-
Fiscal year ended December 31, 1997				
First quarter.....	SEK 27.8	SEK 23.0	-	-
Second quarter.....	SEK 29.0	SEK 23.0	-	-
Third quarter.....	-	-	NOK 39.00	NOK 28.70
Fourth quarter.....	-	-	NOK 39.50	NOK 28.00
Fiscal year ended December 31, 1998				
First quarter.....	-	-	NOK 30.00	NOK 21.30

On September 19, 1997, the date preceding the announcement of the execution of the Amalgamation Agreement, the closing price for the Frontline Ordinary Shares, as reported by the Oslo Stock Exchange, was NOK 35.10.

Holdings. The approximate number of record holders of LOF Ordinary Shares as of the Record Date was 2,700. This includes holders holding in "street" and "nominee" names holding for numerous additional beneficial holders, and is based on information provided by the Company's transfer agent. As of that date, there were approximately 10 holders of record of ADSs in the United States.

The approximate number of record holders of the Frontline Ordinary Shares as of the Record Date was 3,356. This includes holders holding in "street" and "nominee" names holding for numerous additional beneficial holders, and is based on information provided by Frontline's transfer agent. As of that date, there were approximately 15 holders of record of Frontline Ordinary Shares in the United States.

Dividends. The Company has not paid a dividend to its shareholders since January 1996 when a dividend of US \$0.025 per ADS or US \$0.0025 per LOF Ordinary Share was paid.

Frontline has never paid a cash dividend on its Frontline Ordinary Shares and does not presently intend to pay cash dividends thereon in the foreseeable future. Furthermore, Frontline's ability to pay dividends is restricted by financing arrangements to which it and its subsidiaries are subject. Under Bermuda law, each of the Company and Frontline is not permitted to declare or pay dividends to shareholders if there are reasonable grounds to believe that (a) the Company or Frontline, as the case may be, is, or would after the payment be, unable to pay its

liabilities, as they became due; or (b) the realized value of the Company's or Frontline's assets, as the case may be, would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

**THE COMPANY'S UNAUDITED
CONDENSED PRO FORMA COMBINED FINANCIAL STATEMENTS**

September 30, 1997

The following Unaudited Condensed Pro Forma Combined Balance Sheet as of September 30, 1997, and the Unaudited Condensed Pro Forma Combined Statements of Operations for the six-month and twelve-month periods ended September 30 and March 31, 1997, respectively, have been prepared to illustrate the estimated effects of the proposed Combination applying US GAAP under the purchase method of accounting with Frontline treated as the accounting acquiror and the Combination treated as a reverse acquisition. Allocations of purchase price have been determined based on preliminary estimates of fair values, however, management expects no material changes in such allocations upon final estimates of fair values. The Unaudited Condensed Pro Forma Combined Balance Sheet as of September 30, 1997, was prepared as if the Combination were consummated on September 30, 1997. The Unaudited Condensed Pro Forma Combined Statement of Operations for the Company's fiscal six-month and twelve-month periods ended September 30, 1997 and March 31, 1997, respectively, were prepared as if the Combination were consummated as of April 1, 1996. The Unaudited Condensed Pro Forma Combined Financial Statements are based on the consolidated financial statements of Frontline and the Company giving effect to the Combination under the assumptions and adjustments outlined in the accompanying Notes to Unaudited Condensed Pro Forma Combined Financial Statements.

The Unaudited Condensed Pro Forma Combined Financial Statements have been prepared applying US GAAP. Frontline's financial statements, which are as of and for the six month period ended September 30, 1997 and fiscal year ended December 31, 1996, have been converted from Swedish GAAP to US GAAP and translated into US dollars for purposes of this presentation (see Note 1 to the Unaudited Condensed Pro Forma Combined Financial Statements). Swedish GAAP differs in certain significant respects from US GAAP. A reconciliation of net income (loss) and shareholders' equity of Frontline from Swedish GAAP to US GAAP is presented in Note 2 and Note 17 to the Consolidated Financial Statements of Frontline as of and for the nine months ended September 30, 1997 and year ended December 31, 1996, respectively, included elsewhere in this Joint Proxy Statement/Prospectus.

The Unaudited Condensed Pro Forma Combined Financial Statements are provided for illustrative purposes only, and do not purport to represent what the financial position or results of operations of the Combined Company would actually have been if the Combination had in fact occurred on the dates indicated or to project the financial position or results of operations for any future date or period. Although the Company expects to realize cost reductions from the Combination, no effect has been given in the Company's Unaudited Condensed Pro Forma Combined Financial Statements to any such benefits. The Unaudited Condensed Pro Forma Combined Financial Statements should be read in conjunction with the notes thereto and the consolidated financial statements of the Company and Frontline and the related notes thereto contained elsewhere herein.

Unaudited Condensed Pro Forma Combined Balance Sheet
As of September 30, 1997
(amounts in thousands)

	Historical		Pro Forma	
	The Company	Frontline(1)	Adjustments	Combined
Cash and Cash Equivalents	\$ 26,279	\$ 61,038	\$ (93,539) (2a) (2,500) (2c) 75,000 (3) (300) (4)	\$ 65,978
Assets Held for Sale	22,301		29,199 (2e)	51,500
Other Current Assets	<u>5,196</u>	<u>31,262</u>		<u>36,458</u>
Total Current Assets	53,776	92,300	7,860	153,936(8)
Vessels and Equipment, net	178,896	873,001	(21,147) (2e)	1,030,750
Investments		214,706		214,706
Other Assets	<u>659</u>	<u>5,157</u>	<u>300</u> (4)	<u>6,116</u>
Total Assets	<u>\$233,331</u>	<u>\$1,185,164</u>	<u>\$(12,987)</u>	<u>\$1,405,508</u>
Current Liabilities	\$22,212	\$176,765	\$3,440 (2d) 75,000 (3)	\$277,417(8)
Long-Term Liabilities	92,433	499,965		592,398
Shareholders' Equity	118,686	508,434	(93,539) (2a) 3,500 (2b) (1,388) (2f)	535,693
Total Liabilities and Shareholders' Equity	<u>\$233,331</u>	<u>\$1,185,164</u>	<u>\$(12,987)</u>	<u>\$1,405,508</u>

Unaudited Condensed Pro Forma Combined Statement of Operations
For the Six Months Ended September 30, 1997
(amounts in thousands, except per share amounts)

	Historical		Pro Forma	
	The Company	Frontline(1)	Adjustments	Combined
Net Operating Revenues	\$22,349	\$98,038		\$120,387
Operating Expenses:				
Operating and Maintenance	8,499	34,808		43,307
Depreciation and Amortization	6,396	30,195	\$(529)	36,062
Administrative Expenses	<u>1,844</u>	<u>7,127</u>	—	<u>8,971</u>
Total Operating Expenses	<u>16,739</u>	<u>72,130</u>	<u>(529)</u>	88,340
Operating Income	5,610	25,908	529	32,047
Other Income (Expense), Net	<u>(5,981)</u>	<u>(18,159)</u>	—	<u>(24,140)</u>
Net Income (Loss) Before Income Taxes	(371)	7,749	529	7,907
Income Taxes	<u>(30)</u>	<u>(5)</u>	—	<u>(35)</u>
Net Income (Loss)	<u>(401)</u>	<u>7,744</u>	<u>\$529</u>	<u>7,872</u>
Net Income (Loss) Per Ordinary Share	<u>(0.005)</u>	<u>0.075</u>		<u>0.017</u>
Net Income (Loss) per ADS	<u>(0.05)</u>	N/A		<u>0.17</u>
Weighted Average Number of Ordinary Shares Outstanding	<u>74,688</u>	<u>103,543</u>		<u>461,059</u> (7)
Weighted Average Number of ADSs Outstanding	<u>7,469</u>	N/A		<u>46,106</u> (7)

Unaudited Condensed Pro Forma Combined Statement of Operations
For the Twelve Months Ended March 31, 1997
(amounts in thousands, except per share amounts)

	Historical		Pro Forma	
	The Company	Frontline (1)	Adjustments	Combined
Net Operating Revenues	<u>\$41,975</u>	<u>\$ 97,488</u>		<u>\$139,463</u>
Operating Expenses:				
Operating and Maintenance	16,157	61,436		77,593
Depreciation and Amortization	12,781	29,898	\$(1,057) (5)	41,622
Administrative Expenses	3,331	7,224		10,555
(Gain) on Sale of Ships		<u>(5,393)</u>		<u>(5,393)</u>
	<u>32,269</u>	<u>93,165</u>	<u>(1,057)</u>	124,377
Operating Income	9,706	4,323	1,057	15,086
Other Income (Expense), Net	<u>(7,719)</u>	<u>(16,851)</u>	<u>(2,747)</u> (6)	<u>(27,317)</u>
Net Income (Loss) Before Income Taxes	1,987	(12,528)	(1,690)	(12,231)
Income Taxes	<u>(18)</u>	<u>(12)</u>		<u>(30)</u>
Net Income (Loss)	<u>\$1,969</u>	<u>\$(12,540)</u>	<u>\$(1,690)</u>	<u>\$(12,261)</u>
Net Income (Loss) per Ordinary Share	<u>0.026</u>	<u>(0.220)</u>		<u>(0.027)</u>
Net Income (Loss) per ADS	0.26	N/A		(0.27)
Weighted Average Number of Ordinary Shares Outstanding	<u>74,610</u>	<u>46,887</u>		<u>461,059</u> (7)
Weighted Average Number of ADSs Outstanding	7,461	N/A		46,106 (7)

Notes to Unaudited Condensed Pro Forma Combined Financial Statements

(1) To present Frontline's Balance Sheet as of September 30, 1997, and Statements of Operations for the six-month period and fiscal year ended September 30, 1997, and December 31, 1996, respectively. These financial statements have been converted from Swedish GAAP to US GAAP and translated into US dollars for purposes of this presentation using the period end rate of exchange as of September 30, 1997 of \$1.00 = SEK 7.59. Swedish GAAP differs in certain significant respects from US GAAP. A reconciliation of net income (loss) and shareholders' equity of Frontline from Swedish GAAP to US GAAP is presented in Note 2 and Note 17 to the Consolidated Financial Statements of Frontline as of and for the nine months ended September 30, 1997, and year ended December 31, 1996, respectively, included elsewhere in this Joint Proxy Statement/Prospectus. Certain reclassifications have been made to conform the Frontline historical financial statements to the pro forma presentation. Such reclassifications have no effect on total shareholders' equity or net income (loss).

(2) To reflect the Combination of Frontline and the Company, which will result in the former Frontline shareholders having a majority ownership of the combined company. The estimated total purchase price of the Company was approximately \$102,979,000, which consists of the following: (a) cash consideration paid for 58,792,575 LOF Ordinary Shares multiplied by \$1.591 per share; (b) fair value of outstanding options and warrants

assumed on LOF Ordinary Shares for approximately \$3,500,000; (c) cash payments for estimated transaction costs amount to \$2,500,000; and (d) costs of \$3,440,000 resulting from a plan to exit an activity of an acquired company and a plan to terminate or relocate employees of an acquired company. With respect to adjustment (d), management believes that all criteria of EITF 95-3 have been satisfied. The estimated total purchase price for the Company has been allocated to the fair value of the assets acquired and liabilities assumed. It is anticipated and assumed in these Unaudited Condensed Pro Forma Combined Financial Statements that the book value of the Company's assets and liabilities will approximate their fair value other than assets held for sale and vessels and equipment, with a net fair value adjustment estimated for \$8,052,000 (e). This fair value adjustment includes purchase price adjustments listed below (i.e., b-d) and the estimated \$1,388,000 (f) effect of adjusting the original 73,725,816 LOF Ordinary Shares outstanding from a book value per share of \$1.60983 to a fair value per share of \$1.591. The purchase price for the completion of the Combination was determined as follows:

	(\$ in thousands)
(a) Approximate Cash consideration paid for LOF Ordinary Shares	93,539
(b) Estimated fair value of the Company's outstanding stock options and warrants assumed	3,500
(c) Estimated Cash to be paid for direct transaction costs	2,500
(d) Estimated Costs to exit an activity and to terminate or relocate employees	<u>3,440</u>
Total purchase price	102,979
Approximate Fair Value of LOF Ordinary Shares not held by shareholders of Frontline	<u>23,759</u>
Total basis in the acquired Company	<u><u>126,738</u></u>

The purchase price will be allocated based upon estimated fair values of the Company's assets and liabilities. For purposes of the Unaudited Condensed Pro Forma Combined Financial Information, the purchase price has been allocated as follows:

	(\$ in thousands)
Total assets acquired	233,331
Total liabilities assumed	<u>114,645</u>
Historical net book value of the Company	118,686
(e) Fair value write-up to assets held for sale	29,199
(e) Fair value write-down to vessels and equipment	<u>(21,147)</u>
Total basis in the acquired Company	<u><u>126,738</u></u>

(3) To record debt financing obtained in connection with the Combination.

(4) To record costs directly associated with debt financing obtained in connection with the Combination.

(5) To record a reduction in depreciation expense assuming the fair value write-down to vessels and equipment took place on April 1, 1996. The pro forma adjustment assumes estimated remaining useful lives of 20 years for depreciation.

(6) To adjust interest expense (including amortization of debt issuance costs), assuming that the additional financing was obtained as of April 1, 1996. Interest expense has been calculated on \$45 million using an interest rate of 7.20313%, based on the six-month LIBOR rate of 5.82813% as of September 19, 1997, plus a margin of

1.375% and assumes principal repayment of \$45 million six months from drawdown (or during the pro forma period) as required by the Bridge Loan Agreement. Interest expense has been calculated on \$30 million using an interest rate of 8.26041%, based on a pro-rated, four-month LIBOR rate of 5.76041% as of September 19, 1997, plus a margin of 2.5% and assumes principal repayment of \$30 million four months from drawdown (or during the pro forma period as required by the Bridge Loan Agreement). A one-half percent change in interest rates would impact interest expense in the amount of approximately \$162,500 over the twelve-month pro forma period.

(7) To present weighted average number of Ordinary Shares and ADSs outstanding as if 14,933,241 and 1,493,324, respectively, LOF Ordinary Shares and ADSs, respectively, currently held by the shareholders of the Company other than Frontline had remained outstanding since April 1, 1996 and 446,125,368 and 44,612,537 LOF Ordinary Shares and ADSs, respectively, to be issued to Frontline's shareholders in connection with the Amalgamation had taken place on April 1, 1996.

(8) According to the Unaudited Condensed Pro Forma Combined Balance Sheet, the combined company would have on a pro forma basis after the Combination a cash balance of approximately \$66 million as of September 30, 1997. In addition, Frontline expects to have realized \$16 million from operations, \$51.5 million from the sale of the Company's Panamax vessels and \$1.5 million from the refinancing of the Company's three Suezmax tankers prior to the Effective Time. Accordingly, the combined company expects to have available cash of approximately \$135 million at the Effective Time. Approximately \$230 million of the combined company's current liabilities on a pro forma basis represent the current portion of long term debt, of which \$56 million is the current portion of secured vessel-related debt.

DESCRIPTION OF FRONTLINE PROPOSALS

FRONTLINE PROPOSAL 1 - AMENDMENT AND RESTATEMENT OF FRONTLINE'S BYE-LAWS

Reasons for the Amendment

Frontline's present Bye-Laws were adopted on July 1, 1997, and were amended on September 25, 1997. To meet the changing needs of Frontline, its Board of Directors voted unanimously to amend and restate Frontline's Bye-Laws in their entirety, subject to shareholder approval as required by Section 13(5) of the Companies Act. The complete text of the proposed amended and restated Bye-Laws (the "Amended Bye-Laws") is set forth in Exhibit C to this Joint Proxy Statement/Prospectus. The discussion in this Joint Proxy Statement/Prospectus is qualified in its entirety by reference to the Amended Bye-Laws. The Amended Bye-Laws are to be adopted in their entirety by the Company. See "Company Proposal 2 - Adoption of Frontline's Bye-Laws."

Except as described below, the changes in the Amended Bye-Laws are procedural and administrative in nature and are intended to bring Frontline's corporate matters more in line with modern corporate practice and facilitate the consummation of the Amalgamation. The material changes contained in the Amended Bye-Laws are summarized below:

1. Shareholder's Vote Required For Amalgamation. The Amended Bye-Laws provide that at any general meeting of Frontline's shareholders approval of any amalgamation between Frontline and another company shall be decided by a vote of at least a majority of the Frontline Ordinary Shares present in person or by proxy entitled to vote and voting at such general meeting. Pursuant to Section 106 of the Companies Act, the Amalgamation is subject to approval of at least 75% of the outstanding Frontline Ordinary Shares. However, as discussed below, the number of outstanding Frontline Ordinary Shares required to approve the Amalgamation may be changed by an amendment to Frontline's Bye-Laws.

2. Share Repurchase Subject to Exchange Rules. The Amended Bye-Laws empower the Board to authorize share repurchases by Frontline subject to the rules of the LSE, the NASDAQ/NM and the Oslo Stock

Exchange. The present Bye-Laws make no mention of exchange regulation and restrict the period, method and percentage of share repurchase which may be authorized.

3. Quorum at General Meetings. The Amended Bye-Laws require an aggregate 33 1/3% of the voting rights entitled to be exercised at a general meeting to be present or represented to constitute a quorum at such meeting. The present Bye-Laws require a minimum of two shareholders to constitute a quorum.

4. Employee Share Scheme. The Amended Bye-Laws authorize the establishment of an employee share scheme as a potential future benefit for employees of Frontline. The scheme provides for a facility by which employees may purchase Frontline Ordinary Shares at significant discount to market values. The present Bye-Laws provide for no such scheme.

5. Quorum at Board Meetings. The Amended Bye-Laws require individuals constituting a majority of the Board to be present, with a majority of those present non-residents of Norway, in order to constitute a quorum of the Board of Frontline. The present Bye-Laws required at least two members of the Board to constitute a quorum.

6. Amendment of Bye-Laws. The Amended Bye-Laws of Frontline provide that the Bye-Laws may be amended by a simple majority of the votes cast at a general meeting. The present Frontline Bye-Laws require 66 2/3% of the votes cast at a general meeting to authorize amendment to the Bye-Laws.

7. Attendance at General Meeting. The Amended Bye-Laws provide that no shareholder may attend any general meeting unless written notice of such shareholder's intention to attend and vote is delivered in a certain form to Frontline's registered office at least 48 hours prior to the scheduled general meeting or adjournment thereof. The present Bye-Laws of the Company do not contain such a provision.

Required Vote

Approval of Frontline Proposal 1 will require the affirmative vote of 66 2/3% of the Frontline Ordinary Shares cast on such proposal. Frontline's Principal Shareholder has indicated that it intends to vote the approximately 49.6% of the Frontline Ordinary Shares it holds in favor of Frontline Proposal 1. If shareholder approval of Frontline Proposal 1 is not obtained, the present Bye-Laws will remain in effect. In such event, the affirmative vote of 75% of the outstanding Frontline Ordinary Shares will be required to approve the Amalgamation and Sale. In the event the Amalgamation is not consummated by May 22, 1998, the Company will merge with a wholly-owned subsidiary of Frontline pursuant to the terms of the Amalgamation Agreement in order to effect the Alternative Amalgamation and the Company will be delisted from NASDAQ/NM. See "Recent Developments - The Amalgamation and Sale," and "The Amalgamation and Sale - The Alternative Amalgamation." Unless indicated to the contrary, the enclosed proxy will be voted **FOR** adoption of Frontline Proposal 1.

THE BOARD OF DIRECTORS OF FRONTLINE UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF FRONTLINE PROPOSAL 1.

FRONTLINE PROPOSAL 2 - THE AMALGAMATION AND SALE

The material terms of the Amalgamation and Sale are discussed in "The Amalgamation and Sale." This discussion of the Frontline Proposal 2 is qualified in its entirety by reference to the terms and conditions of the Amalgamation Agreement set forth in Exhibit A to this Joint Proxy Statement/Prospectus and the summary in "The Amalgamation and Sale." Shareholders of Frontline should read "The Amalgamation and Sale" and the Amalgamation Agreement in their entirety.

General

The Amalgamation Agreement provides that subject to the satisfaction or (where legally permissible) waiver of certain conditions, including, among other things, the consent of the Authority to permit the issuance of a sufficient number of LOF Ordinary Shares, Sub will be amalgamated with the Company. As a result of the Amalgamation, Frontline's shareholders will receive 3.2635 LOF Ordinary Shares and a Fraction of a New Warrant in exchange for each Frontline Ordinary Share held by them, and the Amalgamated Company resulting from the amalgamation will become a wholly-owned subsidiary of the Company. No fractional LOF Ordinary Shares or New Warrants shall be issued. Immediately thereafter, all of Frontline's assets and liabilities vested in the Amalgamated Company will be sold to the Company at their fair market value in consideration for a note, the name of the Company will be changed to "Frontline Ltd." and Frontline's Bye-Laws, as amended, will become the Bye-Laws of the Company. See "Frontline Proposal 1 - Amendment and Restatement of Frontline's Bye-Laws."

Rights Plan

Each LOF Ordinary Share, including LOF Ordinary Shares to be issued to Frontline's shareholders at the Effective Time, have Rights attached to them. Such Rights are not separately transferable.

Set forth below is other material information concerning the Rights:

On December 6, 1996, the Board of Directors of the Company declared a dividend of one Right for each outstanding LOF Ordinary Share. The terms of the Rights are set forth in the Company rights agreement dated as of December 6, 1996 between the Company and The Bank of New York, as rights' agent (the "Rights Agreement"). The following description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement incorporated herein by reference. Each Right entitles the registered holder to purchase from the Company one-fourth (1/4) of one LOF Ordinary Share at a price of \$1.50 per share, subject to adjustments.

In the event, among other things, that any person or group of affiliated or associated persons becomes an "Acquiring Person" as defined in the Rights Agreement, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise of the Right, at the then current exercise price of its Right, that number of LOF Ordinary Shares having a market value of eight times its exercise price of its Right. At any time prior to the time an Acquiring Person becomes such, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Company's Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The adoption of the Rights Plan would tend to discourage unsolicited proposals to acquire the Company.

On October 31, 1997, the Board of Directors of the Company amended the Rights Agreement so that the purchase of Shares on the Purchase Dates by Frontline pursuant to the Offer did not result in Frontline becoming an Acquiring Person thereunder.

Recommendation of the Board of Directors of Frontline; Background and Reasons for the Amalgamation and Sale

The Board of Directors of Frontline believes that the Amalgamation and Sale are in the best interests of the shareholders of Frontline and has approved the Amalgamation and Sale.

Frontline's strategy is to become one of the world's largest publicly traded tanker owning companies with a modern, high quality fleet including VLCCs, Suezmax tankers and OBO carriers. Frontline also seeks through appropriate combinations with other ship owners and operators to produce a more cost-effectively operated combined fleet that benefits from economies of scale in chartering due to improved logistics and fleet allocation possibilities. Frontline also believes that appropriate combinations may increase its bargaining power and flexibility relative to suppliers and shipbuilders, and produce cost savings in areas such as chartering, operations, management and administration.

In Frontline's view, the Company is a well known, first class ship operator with a high quality, modern fleet. In addition, the Company has a long history as a publicly traded company. Accordingly, following the Company's announcement on February 27, 1997, that it intended to pursue a range of strategic alternatives to enhance shareholder value, Frontline's Board of Directors authorized management to consider a possible combination with the Company. Subsequently, Frontline's Board of Directors evaluated the proposed Amalgamation Agreement and the related Offer and Amalgamation.

In evaluating the Offer and Amalgamation, the Board of Directors of Frontline considered the following factors:

- the Company's recent dividend policy. The small cash dividend the Company had declared in 1995 and the first three quarters of 1996 indicated positive cash flow;
- the Company's book and market values. The Company's book value was less than its market value, plus its book value and market capitalization were each lower than the Company's net asset value, which was calculated based upon estimated market values of the Company's vessels;
- the Company's underlying assets. That the Company operated in the same segment of the tanker market as Frontline indicated that a business combination could lead to greater economies of scale in operations;
- the overall compatibility of management philosophies of the Company and Frontline;
- the likelihood that the operations of the companies could be integrated smoothly; and
- the value of the consideration to be paid by Frontline in the Offer as compared to the Company's net asset value.

Due to the experience of the Board of Directors in evaluating tanker investments and in line with practice of Scandinavian public companies, the Board of Directors of Frontline did not seek the opinion of any financial advisor concerning its entry into the Amalgamation. The Board of Directors of Frontline, did, however, with the assistance of Lazard Frères & Co. LLC ("Lazard"), perform financial analyses concerning economies and savings in operating and financial costs which would result from a combination with the Company. Lazard is an internationally recognized investment banking firm with expertise in mergers and acquisitions and corporate finance. Frontline engaged Lazard to assist it with its financial analyses as a result of Lazard's reputation and experience in shipping industry transactions and the prominence of Lazard's shipping industry analysts. There had been no material relationship, nor any understanding with respect to such a relationship, between Lazard, its affiliates or unaffiliated representatives and Frontline during the two years preceding this engagement.

The financial analyses performed by Lazard did not relate to, nor did they express any opinion or make any recommendation with respect to, the fairness of the consideration. Instead, the analyses consisted of a calculation of the pro forma savings and efficiencies to be achieved by the proposed Combination and were based upon assumptions and financial data supplied by Frontline. The assumptions provided by Frontline were that the

combined company would realize cost savings from operations, from selling, general and administrative ("SG&A") costs and from interest expense as a result of the proposed Combination.

The operations- and SG&A-related cost savings were expected to result from the possible reflagging of the Company's vessels, a reduction in crew wages, a reduction in the amount of office space leased and a reduction in the number of the Company's employees. With respect to operating cost savings, Frontline instructed Lazard to assume that there would be a savings of \$1,340 per day for each Suezmax and Panamax tanker in the Company's fleet, based upon a comparison of the past operating expenses incurred by each company and assuming that the Company's operating costs would be reduced to the level of Frontline's costs. With respect to SG&A cost savings, Frontline instructed Lazard to assume first that the Company's costs would be reduced from the Company's current level of \$525,000 per vessel to Frontline's cost of \$213,000 per vessel, and second that the cost of the combined fleet would be reduced an additional 10% to \$191,000 per vessel as a result of the combined company's ability to manage a larger fleet without a commensurate increase in the cost of SG&A. The interest-related cost savings were expected to result from the lower interest rate that a larger company could obtain. In this respect, Frontline instructed Lazard to assume that the combined company would be able to obtain a spread to LIBOR of 0.800%, resulting in a savings of approximately \$2.4 million based upon the combined company's long-term debt. Frontline provided Lazard with no other assumptions, nor did Frontline place any limitations on Lazard's analyses.

Lazard calculated the potential cost savings over periods of seven and ten years and calculated the net present value of such savings using various discount rates. The findings of Lazard's analyses were that the savings per share of the combined company over a seven-year period would be approximately \$4.08 per share, while the comparable savings for a ten-year period would be approximately \$4.10 per share.

Given the foregoing, in the belief that such considerations rendered the proposed Combination in the best interests of Frontline's shareholders, on September 19, 1997, the Board of Directors of Frontline approved a series of transactions which collectively constitute the Combination of the Company with Frontline.

Resales of LOF Ordinary Shares and New Warrants Issued in the Amalgamation; Affiliates

LOF Ordinary Shares and New Warrants to be issued to shareholders of Frontline in connection with the Amalgamation will be freely transferable under the 1933 Act, except for shares issued to any Frontline Affiliate. It is a requirement of Frontline pursuant to the Amalgamation Agreement that, at or prior to the Effective Time, each person who may be deemed to be a Frontline Affiliate shall have executed and delivered to the Company an agreement which provides that such Frontline Affiliate will not sell, transfer or otherwise dispose of any LOF Ordinary Shares obtained as a result of the Amalgamation except in compliance with the 1933 Act and the rules and regulations of the Commission thereunder. The certificates representing LOF Ordinary Shares and New Warrants issued to Frontline Affiliates in the Amalgamation will bear a legend summarizing the foregoing restrictions.

Dissenters' Rights

Set forth below is a summary of the procedure relating to the exercise of Dissenters' Rights. The following summary does not purport to be a complete statement of the provisions of Section 106 of the Companies Act and is qualified in its entirety by reference to Exhibit D hereto and to any amendments to such sections as may be adopted after the date of this Joint Proxy Statement/Prospectus.

Application. A dissenting Frontline shareholder who does not vote in favor of the Amalgamation and is not satisfied that the LOF Ordinary Shares he is to receive pursuant to the Amalgamation constitute fair value for his shares may apply to the Supreme Court of Bermuda (the "Court") for a determination as to the fair value of his shares. The Court will appraise and set the value of the dissenting shareholder's shares and if the Court determines that fair value has not been received, Frontline shall be required to acquire the shares within one month of the Court's appraisal for consideration fixed by the Court. The cost of an application to the Court to appraise the

value of a dissenting shareholders' shares are to be borne as determined in the discretion of the Court. No appeal may be granted from an appraisal by the Court.

No Vote in Favor of the Amalgamation. Holders of Frontline Ordinary Shares for which Dissenters' Rights are sought may be barred from exercising such rights if such shares have in any way been voted in favor of the proposal to approve the Amalgamation. Voting in favor of the Amalgamation or the submission of a signed blank proxy card may be deemed a waiver of Dissenters' Rights. Failure to return a proxy card or to vote, or abstaining from voting, will NOT, however, waive Dissenters' Rights.

Exclusive Remedy; Exception. The enforcement by a shareholder of Dissenters' Rights pursuant to the procedures set forth above is such shareholder's exclusive remedy.

A HOLDER OF FRONTLINE ORDINARY SHARES MAY DISSENT AND EXERCISE DISSENTERS' RIGHTS ONLY AS TO ALL THE SHARES REGISTERED IN HIS NAME. THE PROCEDURES SET FORTH ABOVE AND IN THE COMPANIES ACT MUST BE FOLLOWED TO EXERCISE SUCH RIGHTS. DISSENTERS' RIGHTS MAY BE LOST IF THE PROCEDURES OF SECTION 106 ARE NOT FOLLOWED FULLY.

Any Frontline shareholder of record contemplating exercising Dissenters' Rights with respect to the Amalgamation is urged to review carefully the provisions of Sections 106 of the Companies Act, in particular the procedural steps required to apply for Dissenters' Rights.

Required Vote

Assuming the approval of Frontline Proposal 1, approval of Frontline Proposal 2 will require the affirmative vote of a majority of the Frontline Ordinary Shares present in person or by proxy and entitled to vote on such proposal. If Frontline Proposal 1 is not adopted, approval of Frontline Proposal 2 will require the affirmative vote of at least 75% of the outstanding Frontline Ordinary Shares. Unless indicated otherwise to the contrary, the enclosed proxy will be voted FOR adoption of Frontline Proposal 2.

Frontline's Principal Shareholder has agreed to vote its Frontline Ordinary Shares in favor of Frontline Proposal 2.

The Board of Directors of Frontline considers the Transactions to be advantageous to the shareholders of Frontline. Each director of Frontline has stated that he intends to vote all Frontline Ordinary Shares he owns beneficially in favor of Frontline Proposal 2 at the Special General Meeting of Frontline.

THE BOARD OF DIRECTORS OF FRONTLINE UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS OF FRONTLINE VOTE FOR APPROVAL OF FRONTLINE PROPOSAL 2.

INFORMATION CONCERNING THE COMPANY

Business of the Company

The Company

The Company was incorporated with limited liability under the Companies Act on June 12, 1992, for the purpose of succeeding to the business of London & Overseas Freighters plc ("LOF plc").

The Company owns and operates a fleet of oil tankers that transport crude oil and oil products to and from ports primarily in the United States. The Company has operated tankers in the crude oil and oil products trades

continuously since 1950. Prior to December 1997, the Company's fleet consisted of three Panamax tankers and three Suezmax tankers, all registered under the British flag and manned by British officers. On October 29, 1997, the Company entered into agreements to sell its three Panamax tankers to subsidiaries of Pegasus Shipping (Hellas) Ltd., a Greek shipping company ("Pegasus"), for an aggregate purchase price of approximately \$51.5 million. The closing of the sale took place in December 1997, resulting in a net profit of approximately \$30 million to the Company based on the book values of the vessels as of their delivery to the purchaser.

The Company's principal focus and expertise to date have been to serve major integrated oil companies and other customers that require cargoes to be loaded in or delivered directly to US ports, rather than at offshore terminals. The Company's business strategy has been (i) to provide premium quality transportation services with a modern fleet; and (ii) to maintain a significant portion of its fleet on medium-term time charters, depending on market conditions.

Operations

Since 1984, the Company has operated exclusively as a tanker company. The Company operates a fleet of three modern double-hull Suezmax tankers which are owned through wholly-owned subsidiaries. One of the Company's Suezmax vessels, the LONDON PRIDE, built in 1993 and renamed FRONT PRIDE in January 1998, is operating under a five-year time charter with Chevron, which expires in July 1998. The other two Suezmax tankers LONDON GLORY, built in 1995 and renamed FRONT GLORY in December 1997, and LONDON SPLENDOR, built in 1995 and renamed FRONT SPLENDOR in November 1997, currently operate in the spot charter market.

Customers of the Company have included major oil companies, major oil traders, large oil consumers and oil product producers, government agencies and various other entities that rely on the Panamax and Suezmax trade. During fiscal years 1997, 1996 and 1995, Chevron accounted for approximately 34%, 39% and 75%, respectively, of the Company's aggregate revenues primarily as a result of the Company's time charters with Chevron. In fiscal year 1995, Tripetrol Oil Trading S.A. Inc. ("Tripetrol") accounted for approximately 12% of the Company's aggregate revenues. No other customer, other than Chevron and Tripetrol, accounted for more than 10% of the Company's revenues during fiscal years 1995 through 1997.

The Company drydocks its vessels approximately every two and a half years and provisions are made so that the financial results for each accounting year bears a proportionate share of these costs.

Employees

At August 29, 1997, the Company had 144 employees (exclusive of the lower crew), of whom eight were executive and management personnel, 10 were in administrative and clerical positions, and 126 were seagoing staff. The Company currently has five employees. This reduction is primarily due to the transfer of vessel operations to alternative management and the consequent redundancy of seagoing personnel.

Competition

International seaborne oil and oil products tanker transportation services are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. Many major oil companies and other oil trading entities, the primary charterers of the Company's vessels, also operate their own vessels and use such vessels not only to transport their own oil, but also to transport oil for third-party charterers in direct competition with independent owners and operators such as the Company. Competition for charters, particularly in the voyage charter market, is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its operator to charterers. Competition in the Panamax and Suezmax segment is also affected by the availability of other size vessels to compete in the trades in which the Company engages.

Inspection by Classification Society and Others

Every commercial vessel's hull and machinery is "classed" by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of such classification society. All of the Company's vessels have been certified as being "in class" by its classification society, Lloyds Register of Shipping. Each vessel is inspected by a surveyor of the classification society every year ("Annual Survey"), every two to three years ("Intermediate Survey") and every four to five years ("Special Survey"). Most vessels are also required, as part of the Intermediate Survey process, to be drydocked every 24 to 30 months for inspection of the underwater parts of the vessel and for necessary repair related to such inspection. Deficiencies are noted as "recommendations" by the classification society and failure to rectify recommendations may result in loss of a vessel's class certification and cancellation of insurance coverage.

Risk of Loss and Insurance

The business of the Company is affected by a number of risks, including mechanical failure of the vessels, collisions, property loss to the vessels, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, the operation of any ocean-going vessel is subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. Recent environmental legislation and regulations in the United States, which impose, under certain circumstances, virtually unlimited liability upon owners, operators and demise charterers trading in the US market for certain oil pollution accidents in US waters, have made liability insurance more expensive for trading in the US market and have also caused insurers to consider reducing available liability coverage.

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

Regulation

The business of the Company and the operation of its vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country of their registration. Because such conventions, laws and regulations are often revised, the Company cannot predict the ultimate cost of complying with such requirements or the impact of such requirements on the resale price or useful life of its vessels. The Company is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The Company believes that it has been and will be able to obtain all permits, licenses and certificates material to the conduct of its operations.

In addition, the Company is subject to various international conventions, national and local legislation and regulations enacted to protect the environment. The Company has operated its vessels in compliance with these requirements and intends to continue to do so to the extent possible.

OPA 90 imposes strict liability upon responsible parties which include owners, operators and charterers by demise. A complete defense is available where the spill is caused solely by an act of God, act of war (including civil war and insurrection) or by a third party other than an employee or agent or party in a contractual relationship with the responsible party. But even if the spill is caused solely by a third party, the owner or operator must pay removal cost and damage claims and then seek reimbursement from the third party or the oil spill liability trust fund established under OPA 90.

OPA 90 limits the liability of each responsible party for a tanker to the greater of \$1,200 per gross registered tonne or \$10 million. This limit on liability is approximately \$96 million for each of the Company's Suezmax vessels. This limit does not apply where, among other things, the spill is caused by gross negligence or willful misconduct of, or a violation of an applicable US federal regulation by, a responsible party or its agent or employee or any person acting in a contractual relationship with a responsible party.

In addition to removal costs, OPA 90 provides for recovery of damages including (i) natural resources damages and the costs of assessment thereof; (ii) real and personal property damages; (iii) net loss of taxes, royalties, rents, fees and other lost revenues; (iv) lost profits or impairment of earning capacity due to property or natural resources damage; (v) net costs of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and (vi) loss of subsistence use of natural resources unrelated to physical damage to the property of the claimant. This represents the potential for a substantial increase in the amount of recoverable damages compared with prior law.

In order to assure that responsible parties will meet the minimum liability amount imposed by OPA 90, responsible parties must establish evidence of financial responsibility. OPA 90 requires all (excluding innocent voyage) vessels over 300 gross tonnes operating in US waters to maintain Certificates of Financial Responsibility ("COFRs") evidencing their ability to pay for pollution damage in the event of a discharge of oil or hazardous substances. To obtain the COFR, tankers must establish evidence of financial responsibility sufficient to meet the statutory limit under OPA 90 (\$1,200 per gross tonne for tankers and under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") \$300 per gross tonne) for discharges of oil and hazardous substances releases for a total of \$1,500 per gross tonne for tankers, although in the event of solely an oil spill only the \$1,200 per gross tonne figure would be used to calculate liability. Such evidence of financial responsibility reflects a strict liability limit of approximately \$56 million for each of the Company's Panamax vessels and \$120 million for each of its Suezmax vessels based upon their respective gross tonnages. Such evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. The Company has COFRs in place for each of its vessels.

OPA 90 expressly provides that individual states are entitled to enforce their own pollution liability laws, even if inconsistent with or imposing greater liability than OPA 90. There is no uniform liability scheme among the states. Some states have OPA 90-like schemes for limiting liability to various amounts and some rely on common law fault-based remedies, while yet others impose strict and unlimited liability on an owner or operator. The Company believes that the liability provisions of OPA 90 and the similar state laws have greatly expanded the Company's potential liability in the event of an oil spill, even where the Company is not at fault.

Outside the United States, many countries have ratified and follow the liability scheme set out in the International Convention on Civil Liability for Oil Pollution Damage 1969 ("CLC"). Under the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by a discharge of persistent oil, subject to certain complete defenses. Liability currently is limited to approximately \$180 per gross registered tonne with an approximate maximum of \$19,000,000, with the exact amount tied to a unit of account which varies according to a basket of currencies. Approximately one-quarter of the countries that have ratified the CLC have increased the liability limits through a Protocol to the CLC which has recently entered into force. The liability limits in the countries that have ratified this Protocol are currently approximately \$4,000,000 plus approximately \$567 per gross registered tonne above 5,000 gross tonnes with an approximate maximum of \$80,595,000 with the exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited only where the spill is caused by the owner's actual fault or direct contractual relationship with a third party. Vessels trading to contracting states must establish evidence of insurance covering the limited liability of the owner.

In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Technical and Operational Requirements

OPA 90 also sets forth various technical and operating requirements. Existing single hull, double sided and double bottom tankers are to be phased out of service between 1995 and 2015 based on their tonnage and age.

Owners or operators of tankers operating in US waters must file with the US Coast Guard vessel oil spill response plans and operate in compliance with the plans. The Company has filed vessel oil spill response plans and obtained approval of such plans from the US Coast Guard.

In addition, numerous states have enacted or are considering legislation or regulations (where not pre-empted by federal maritime law) involving at least some of the following provisions: tanker-free zones, contingency planning, state inspection of vessels, additional operating and maintenance and safety requirements.

Internationally, the IMO has adopted new regulations addressing standards of tanker design and inspection. These regulations, which came into effect on July 6, 1995, in many jurisdictions where the Company's tankers have operated and are expected to operate, provide for the phasing out of certain 25 and all 30 year-old tankers without double hull construction or mid-deck design with double side construction, and provide that all tankers will be subject to enhanced inspections. Newly constructed tankers must be of double hull construction or of a mid-deck design with double side construction or be of another approved design ensuring the same level of protection against oil pollution if the contract is dated on or after July 6, 1993, the keel was laid on or after January 6, 1994, or delivery takes place on or after July 6, 1996.

The double hull and alternative requirements set out above will not prevent the Company from using its existing vessels for substantially all of their economically useful lives.

Other Environmental Initiatives

Several other nations and the EC are considering legislation that will affect the operation of oil tankers and the liability of owners for oil pollution. While it is impossible to predict what legislation, if any, may be promulgated by the EC or any other country or authority, OPA 90 is likely to influence such legislation and the Company expects more stringent standards will be introduced at the state level in the United States and elsewhere.

The Company's Vessels

The Company's FRONT PRIDE (149,686 dwt) was built in 1993 and the FRONT GLORY (149,834 dwt) and FRONT SPLENDOUR (149,745 dwt) in 1995. The Company sold three other vessels, the LONDON SPIRIT, LONDON VICTORY and LONDON ENTERPRISE, to Pegasus in December 1997. Each of the Company's vessels was built in Chiba, Japan by Mitsui Engineering & Shipbuilding Co., Ltd.

Properties

The Company leases office space in Hamilton, Bermuda and its subsidiary, London and Overseas Freighters (UK) Limited ("LOF(UK)"), leases office space in London, England. The Company deems such space adequate to meet its current needs and is sufficient to accommodate a significant number of additional employees if necessary.

Legal Proceedings

There are no material legal proceedings, actions or claims pending against the Company. The nature of the Company's business exposes it to the risk of lawsuits for damages or penalties relating to, among other things, personal injury, property casualty and environmental contamination. See "Business of the Company - Risk of Loss and Insurance; - Regulation."

Exchange Controls and Other Limitations Affecting Security Holders

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

The transfer of ADSs or LOF Ordinary Shares between persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations thereunder and the issuance of LOF Ordinary Shares (including shares to be represented by ADSs) to persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations thereunder. Issues and transfers of ADSs or LOF Ordinary Shares involving any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Exchange Control Act of 1972.

The owners of ADSs or LOF Ordinary Shares who are ordinarily resident outside Bermuda are not subject to any restrictions on their rights to hold or vote their shares. Because the Company has been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to US residents who are holders of ADSs, other than in respect of local Bermuda currency. As an "exempted company," the Company is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians.

The Company has entered into a loan facility which contains restrictions on the Company's ability to pay dividends. See Note 10 to the Company's Consolidated Financial Statements included herein for details of material conditions related to the loan facility including the restriction on the payment of dividends.

As of August 29, 1997, 1,245,588 of the authorized and unissued LOF Ordinary Shares were reserved for issue pursuant to subscription under existing warrants (the "Existing Warrants") which can be exercised at any time up to December 31, 2003. Under the conditions upon which the existing warrants were issued, certain restrictions and conditions apply to the Company for so long as the subscription rights under the existing warrants remain exercisable, including, among other things, the following:

(a) the Company may not (i) pay any dividend or distribution out of share capital or capital in excess of par value (that is, pay dividends and distributions from any source other than earnings or retained earnings), except for certain share dividends; or (ii) issue any securities capitalized out of share capital, capital in excess of par value, earnings or retained earnings, except for fully paid shares in the equity capital of the Company issued to the holders of its equity capital;

(b) the Company may not in any way modify the rights attached to its existing class or classes of equity capital or create any new class of equity share as regards voting, dividend or capital but shall otherwise be free to issue further shares;

(c) the Company may not make any distribution of shares of equity capital if such distribution would result in an adjustment in the exercise price of the existing warrants (currently £0.40 per LOF Ordinary Share, which is equivalent to \$0.65 per LOF Ordinary Share based on the £/\$ exchange rate in effect at August 29, 1997) to an amount less than the par value of an LOF Ordinary Share (currently \$0.25);

(d) if at any time an offer or invitation is made by the Company to the holders of LOF Ordinary Shares for the purchase by the Company of any of its LOF Ordinary Shares, the Company shall simultaneously give notice thereof to the existing warrant holders and each warrant holder shall be entitled to exercise its subscription rights so as to take effect as if it had exercised such rights immediately prior to the date on which such offer or invitation is made; and

(e) if at any time an offer is made to all shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued equity share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons, the Company shall give notice of such vesting to the existing warrant holders within seven days of its becoming so aware.

Selected Financial Data.

The selected income statement data of the Company with respect to the fiscal years ended March 31, 1997, 1996 and 1995 and the selected balance sheet data of the Company with respect to the fiscal years ended March 31, 1997 and 1996 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 financial data with respect to the fiscal years ended March 31, 1994 and 1993 have been derived from audited consolidated financial statements of the Company not included herein. The selected income statement data of the Company with respect to the six months ended September 30, 1997 and September 30, 1996 and the selected balance sheet data with respect to the period ended September 30, 1997 have been derived from the Company's consolidated financial statements included herein. The following table should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company and the Company's Consolidated Financial Statements and Notes thereto included herein. The Company's accounts are maintained in US Dollars.

	Six Months Ended		Fiscal Year Ended March 31,				
	September 30,		1997	1996	1995	1994	1993
	1997	1996					
(in thousands, except per Ordinary Share and per ADS data)							
Income Statement Data:							
Net operating revenues	\$22,349	\$20,512	\$41,975	\$33,532	\$29,192	\$25,010	\$14,779
Net operating income	\$5,610	\$4,598	\$9,706	\$6,849	\$9,255	\$7,351	\$2,772
Net income	\$(401)	\$549	\$1,969	\$1,816	\$8,385	\$4,179	\$1,008
Earnings per Ordinary Share(1)							
	\$(0.005)	\$0.007	\$0.026	\$0.024	\$0.113	\$0.102	\$0.043
Cash dividends per Ordinary Share (1)(3)							
	\$-	\$-	\$-	\$0.0075	\$0.015	\$0.020	\$0.024
Weighted average number of LOF Ordinary Shares outstanding(1)							
	74,688	74,688	74,610	74,497	74,381	40,805	23,386
Earnings per ADS(1)(2)							
	\$(0.05)	\$0.07	\$0.26	\$0.24	\$1.13	\$1.02	\$0.43
Cash dividends per ADS(1)(2)(3)							
	\$-	\$-	\$-	\$0.075	\$0.15	\$0.20	\$0.24
Weighted average number of ADSs outstanding(1)(2)							
	7,469	7,469	7,461	7,450	7,438	4,080	2,339
Balance Sheet Data							
(at end of period):							
Vessels and equipment, net	\$201,197	\$213,644	\$207,342	\$219,868	\$98,211	\$104,451	\$33,489
Vessels under construction	\$-	\$-	\$-	\$-	\$46,873	\$12,521	\$59,325
Total assets	\$233,331	\$239,009	\$234,913	\$242,021	\$178,665	\$179,870	\$94,803
Long-term debt (including current maturities)	\$101,901	\$111,606	\$106,754	\$116,458	\$55,686	\$67,515	\$55,617
Shareholders' equity	\$118,686	\$118,009	\$119,429	\$117,460	\$115,959	\$108,537	\$36,774

- (1) References to LOF Ordinary Shares and ADSs include share and ADS equivalents. Share equivalents represent share purchase warrants and share options assumed to be exercised. See Notes 11 to 13 to the Consolidated Financial Statements.
- (2) No ADSs were outstanding during the periods to March 31, 1993. The ADS and per ADS data were derived by adjusting the comparable Ordinary Share and per Ordinary Share data by the ratio of 10 LOF Ordinary Shares to one ADS.
- (3) The Company has historically paid its dividends annually based on the results of the preceding fiscal year. Dividends declared prior to March 31, 1993, were declared and paid in Sterling and have been translated into dollars at the rate in effect on the date the dividend was paid. The annual dividends declared in June 1993 and June 1994 and the quarterly dividends declared from August 1994 onwards were declared in dollars and paid in dollars or the Sterling equivalent at the election of the shareholders receiving the dividend. No dividends have been declared since November 1995 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company).

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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

The Company's principal focus and expertise are to serve major integrated oil companies and other customers that require crude oil and oil products cargoes to be loaded in or delivered directly to US ports, rather than at offshore terminals. Until December 1997, when they were sold to Pegasus for an aggregate purchase price of approximately \$51.5 million, the Company owned and operated three Panamax tankers. In fiscal year 1997 the Panamax vessels accounted for approximately \$14.8 million of operating revenues and \$2.2 million of net operating income, representing 35% and 23%, respectively, of the Company's total operating revenues and net operating income. The sale of the Panamax tankers is expected to have no material impact on the operations of the Amalgamated Company. The Company currently owns and operates three Suezmax tankers.

As the result of a public offering ("Offering") of 50,000,000 LOF Ordinary Shares (equivalent to 5,000,000 ADSs) in December 1993, orders were placed for two newbuilding Suezmax tankers. The first of these newbuildings, the LONDON GLORY (since renamed FRONT GLORY), was delivered in May 1995 and the second, the LONDON SPLENDOR (since renamed FRONT SPLENDOR), was delivered in December 1995.

One of the consequences for the Company of the construction of any newbuilding is that the Company expends substantial sums in the form of progress payments during construction, but does not derive any revenue from the vessel until after its delivery. Both the progress payments and interest on indebtedness incurred to finance such payments are capitalized and accordingly are not reflected in net income until delivery of the vessel. On the other hand, the issuance of shares to finance such progress payments results in an immediate dilution of earnings per share since the Company receives no revenue from the vessel until it begins trading. Earnings per LOF Ordinary Share (and per ADS) since the public offering until the delivery of the second newbuilding in December 1995 were affected by the use of proceeds of the Offering for these progress payments.

A time charter is a contract for the use of a vessel for a specific period of time. A voyage charter is a contract for the use of a vessel for a specific voyage. Under a time charter, the charterer pays substantially all of the vessel voyage costs. Under a voyage charter, the vessel owner pays such costs. Vessel voyage costs are primarily fuel and port charges. Accordingly, for equivalent profitability, charter income under a voyage charter would be greater than that under a time charter to take account of the owner's payment of the vessel voyage costs. However, net operating revenues would be equal. It is standard industry practice to measure the revenue performance of a vessel in terms of TCE. For voyage charters, this is calculated by adding notional brokers' commission to charter income and dividing by the number of days. Days spent on scheduled drydockings are the only days excluded from this calculation.

The Company's vessels are operated under either time charters or voyage charters. The Company's strategy of seeking medium-term time charters, ranging from 1 year to 5 years, for a significant portion of its fleet is designed to provide a steady and reliable stream of revenues in order to mitigate the inherently cyclical nature of the tanker industry. Any downturn in the voyage charter market will affect those vessels not under time charter and may have a material adverse effect on the Company's operating results, cash flow from operations and liquidity.

Time charter opportunities, from suitable charterers, were again scarce in fiscal year 1997. Charterers continued to be able to charter acceptable tonnage in the voyage market which suited their aims of maintaining their flexible commitment to shipping. Further, the Company, in common with other independent tanker owners, continues to face direct competition in the term charter market from financial institutions and shipyards.

In February 1996 the Company announced that the payment of dividends would be suspended due to the reduction in net income and the risk of further pressure on net income. It was further stated that the Company intended to resume dividend payments upon a return to adequate profitability.

The following table sets out the current schedule of drydockings and special surveys for the Company's Suezmax vessels. However, this schedule is under review by the new management of the Company and is subject to revision. The drydocking of the FRONT GLORY has been postponed pending this review.

<u>Vessel</u>	<u>Next Drydocking</u>	<u>Next Special Survey</u>
Front Pride	July 1998	July 1998
Front Glory	November 1997	May 2000
Front Splendour	May 1998	November 2000

Significant Recent Developments

In November 1997, the Board of Directors approved a change of accounting reference date from March 31 to December 31 of each year. See also "Information Concerning the Company - Business of the Company" and "Recent Developments."

Results of Operations

Six Months Ended September 30, 1997, compared with the Six Months Ended September 30, 1996

Net Operating Revenues

Total net operating revenues increased 9%, primarily due to improved trading in the Suezmax voyage market.

Net operating revenues for the Panamax fleet increased 3%. The TCE earned increased to \$15,500 in the six-month period from \$13,500 in the comparable prior period, due to improved trading in the voyage market. However, there was an additional 40 days offhire for scheduled drydockings in the most recent period as two vessels undertook their third special survey.

Net operating revenues for the Suezmax fleet increased by 12%. The TCE earned increased to \$28,000 from \$25,000 as the vessels trading in the voyage market benefited from the strength of an improved voyage market and the LONDON PRIDE (since renamed FRONT PRIDE) benefited from an increase in the Chevron time charter rate.

Total Operating Expenses

Total operating expenses increased 22%, which amount represented an increase across all categories excluding depreciation.

Vessel operating costs increased by 4%. The majority of the increase results from higher running costs for the Panamax vessels and is partially offset by reductions in insurance costs across the entire fleet.

There was no significant change in depreciation which is as expected due to no significant change in fixed assets.

Drydockings and special survey costs increased 13%. This was due to the additional costs incurred by the two vessels which were drydocked in the six months ended September 30, 1997.

Administrative expenses increased 28%. This increase is mainly attributable to the process to enhance shareholder value and an increase in the number of employees compared with the prior period.

Net Other Expenses

Net other expenses increased by 48% from \$4,038,000 to \$5,981,000 in the six months ended September 30, 1997, compared with the six months ended September 30, 1996. The main component of the increase was \$2,568,000 of amalgamation costs in relation to the transaction with Frontline. Interest expense decreased 3% from \$4,442,000 to \$4,308,000 due to lower average outstanding debt, two principal repayments totalling \$9,705,000 having been made since the comparable prior period. Interest income increased 55% from \$404,000 to \$625,000 due to higher average cash balances.

Net Income and Earnings Per Ordinary Share

The combination of increased net operating income offset by increased net other expenses resulted in a loss of \$401,000 for the six months ended September 30, 1997, compared with net income of \$549,000 for the six months ended September 30, 1996. There was a corresponding decrease in earnings per LOF Ordinary Share and share equivalent from \$0.007 (equivalent to \$0.07 per ADS) to (\$0.005) (equivalent to (\$0.05) per ADS).

Fiscal year ended March 31, 1997, compared with fiscal year ended March 31, 1996

Net Operating Revenues

Total net operating revenues increased by 25%, reflecting an increase in the size of the fleet.

Net operating revenues for the Panamax vessels decreased 3%. The average daily TCE earned fell to \$14,000 in the year from \$14,500 in the prior year, primarily reflecting weaker results obtained in the voyage market.

Net operating revenues for the Suezmax vessels increased by 50%. The TCE earned increased to \$25,500 from \$24,000 in the prior year. The main component of the increase in net operating revenues was a full year's contribution in an improved voyage market from the two newbuilding vessels delivered in May and December 1995. In addition, the LONDON PRIDE received increased revenues under her Chevron time charter, the prior year's revenue having been affected by approximately \$450,000 of offhire for her scheduled drydocking.

Total Operating Expenses

Total operating expenses increased 21%. The daily cash breakeven rate, the amount required to cover all vessel operating costs, drydocking and special survey costs and administrative expenses, increased only marginally over the year by \$300 and \$100 per vessel to \$8,800 and \$9,100 for the Panamax and Suezmax vessels, respectively.

Vessel operating costs, comprised primarily of crew costs, insurance, repairs and maintenance, increased by 18%. The majority of the increase reflects the inclusion of the LONDON GLORY and LONDON SPLENDOR for a full year, partially offset by reductions in insurance costs.

Depreciation increased 24% due to the inclusion of a full year's charge for each of the two newbuildings.

Drydockings and special survey costs increased 32% in 1997. This increase resulted from the inclusion of the new vessels for a full year and the fact that the expense in 1996 was low due to the LONDON VICTORY and LONDON PRIDE completing their scheduled drydockings at costs lower than were being provided for. For the LONDON PRIDE the saving was significant at approximately \$135,000.

Administrative expenses increased by 22%. This increase is attributable to an increase in the expenses of LOF (UK) relating to an increase in the number of employees and the move to new, larger offices. In addition, there was an increase in legal and professional fees relating to the establishment of the Rights Agreement in December 1996 and the process to enhance shareholder value.

Net Other Expenses

Net other expenses increased by 54% in 1997. There was a 14% decrease in interest income in 1997 reflecting lower average interest rates during the year. Interest expense increased by 42% due to a combination of higher average outstanding debt and the cessation of interest capitalization once the LONDON SPLENDOUR was delivered in December 1995. No interest was capitalized in 1997 whereas \$1,411,000 of interest was capitalized in 1996.

Net Income and Earnings Per Ordinary Share

Net income increased by 8% from \$1,816,000 to \$1,969,000 as a result of the increase in net operating income, partially offset by the increase in net other expenses. There was a corresponding increase in earnings per LOF Ordinary Share and share equivalent.

Fiscal Year ended March 31, 1996, compared with Fiscal Year ended March 31, 1995

Net Operating Revenues

Total net operating revenues increased by 15%, reflecting an increase in the size of the fleet.

Net operating revenues for the Panamax vessels decreased 17%. The TCE earned by the Panamax vessels decreased from \$17,500 in fiscal year 1995 to \$14,500 in fiscal year 1996, reflecting changes in the time charter coverage of the fleet. The LONDON SPIRIT and LONDON VICTORY ended their profitable Chevron time charters in June 1995. The LONDON SPIRIT extended her charter at a lower rate and the LONDON VICTORY joined the LONDON ENTERPRISE in the voyage market, which was markedly weaker than in the prior year.

Net operating revenues for the Suezmax vessels increased by 69%. The TCE earned by the Suezmax vessels decreased from \$30,500 in fiscal year 1995 to \$24,000 in fiscal year 1996. The fiscal year 1996 result represents, on average, just over two vessels, whereas the prior year represented only the LONDON PRIDE. The LONDON PRIDE increased her profitability under her Chevron time charter, offset by approximately \$450,000 of offhire for her scheduled drydocking. The LONDON GLORY, delivered in May 1995, largely broke even for the year whereas the LONDON SPLENDOUR, delivered in December 1995, was loss making. Both results were significantly affected by their initial position voyages into the Atlantic Basin which were at low rate levels relative to normal trading rates.

Total Operating Expenses

Vessel operating costs, comprised primarily of crew costs, insurance, repairs and maintenance, increased by 22%. The majority of the increase reflected the inclusion of the LONDON GLORY and LONDON SPLENDOUR, partially offset by cost reductions due to the economies of size.

Depreciation increased 57% and drydocking and special survey costs increased 43% due to the inclusion of the two newbuildings.

Administrative expenses, comprised primarily of personnel, office and travel costs of the Bermuda office and the London office of LOF(UK), increased by 10%. The increase results from the continued expansion of the Company's operations associated with the delivery of the newbuildings.

Net Other Expenses

Net other expenses increased 491% to \$5,004,000 compared with \$847,000 in the prior year. Interest income decreased by 50% as a result of lower cash balances due to payment for the newbuildings, combined with lower interest rates. Interest expense increased by 106% as debt facilities were drawn down in two stages coincident with the deliveries of the LONDON GLORY and LONDON SPLENDOUR and capitalized interest decreased. During construction of the newbuildings, the bulk of the interest expense was capitalized in their cost. No further interest was capitalized from delivery of the LONDON SPLENDOUR.

Net Income and Earnings Per Ordinary Share

Net income decreased by 78% as a result of the reduction in operating income combined with the increase in net other expenses. There was a corresponding reduction in earnings per LOF Ordinary Share and share equivalent.

Liquidity and Capital Resources

The Company relies on cash flows from operations for its working capital requirements. Revenues from time charters are received monthly in advance while revenues from voyage charters are received upon completion of the voyage. Accounts receivable are generally collected on a timely basis. Inventory requirements, consisting primarily of fuel, lubricating oil and spare parts, are higher for voyage charters, due to the majority of these items being paid for by the charterer under a time charter. The expansion of the fleet in fiscal year 1996 and increased presence in the voyage market has resulted in increased working capital requirements.

As of September 30, 1997 and 1996, the Company had cash and cash equivalents of \$26,279,000 and \$19,055,000, respectively, and a working capital surplus of \$9,263,000 and \$7,457,000, respectively. The Company generated cash and cash equivalents of \$5,720,000 in the six months ended September 30, 1997 compared with \$4,282,000 in the six months ended September 30, 1996. In both periods repayments of long-term debt were the same at \$4,582,000 and the increase in the six months ended September 30, 1997 is primarily attributable to an increase in cash generated by operating activities.

As of March 31, 1997 and 1996, the Company had cash and cash equivalents and time deposits of \$20,559,000 and \$14,773,000, respectively, and a working capital surplus of \$9,932,000 and \$5,192,000, respectively, which reflect current maturities of long-term debt of \$9,705,000 in both years. The increase in cash and cash equivalents is primarily the result of \$15,745,000 of cash generated from operations less repayments of long-term debt of \$9,704,000.

The Company does not currently maintain a working capital line of credit. However, the Long Term Loan has been set at an amount sufficient to provide additional working capital. Because depreciation expense reduces net income but not cash flow, the Company's cash flow from operations is greater than its net income. The Company expects that its cash flow from operations will be sufficient to pay the current installments of long-term debt.

The Company operates in a capital intensive industry and has historically financed its purchase of tankers and other capital expenditures through a combination of cash generated from operations, equity capital and borrowings from commercial banks. Since 1990, Chase has been the Company's principal bank. Prior to December 1997 the Company had a \$120,000,000 secured syndicated term loan with Chase. This facility was replaced in December 1997 and the Company's credit facilities currently consist of the \$100,000,000 Long Term Loan. This loan facility was entered into to provide for the long-term financing of the Suezmax vessels following the sale of the Panamax vessels. The facility provides for a maximum of three drawdowns with the last drawdown date falling no later than March 31, 1998. The first installment shall fall due six months after the final drawdown date. Repayment of two thirds of the balance outstanding at the final drawdown will be made in 20 semi-annual installments, each in the amount of \$3.5 million, over ten years on a straight-line basis. The remaining one third of the balance outstanding will be repayable at the end of the ten years. Interest on the Long Term Loan is payable at a LIBOR-based rate. The loan is secured by first priority statutory mortgages over the three Suezmax vessels in the fleet.

An initial drawdown of \$40,000,000 was made on December 22, 1997, to repay all existing debt and refinance the Suezmax vessels.

One of the Company's three vessels operates under a time charter with Chevron expiring in July 1998. The Company's other two vessels currently operate in the voyage charter market. During fiscal years 1997, 1996 and 1995, Chevron accounted for 34%, 39% and 75%, respectively, of the Company's gross revenues. During fiscal year 1997, charter rates obtainable have been less than those received under the Chevron time charter. The availability of time charters and voyage charters and the charter rates available at future dates will depend on the market conditions prevailing at such times.

The Company has no material commitments for capital expenditures.

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. Seasonal variations in the Company's revenues still exist but are much less pronounced than they once were due to a number of factors. The time charter with Chevron provides the Company with a predictable and non-seasonal source of revenue. The tanker industry in general is less dependent on the seasonal transport of heating oil than a decade ago as new uses for oil and oil products have developed, spreading consumption more evenly over the year.

Currency Exchange Rates

The Company's revenues are received in US Dollars, and a majority of its operating and administrative expenses and all of its long-term debt payments are in US Dollars. Approximately 45% of vessel operating costs and 48% of administrative costs in fiscal year 1997 were paid in Sterling. These costs consisted of compensation to the Company's officer staff and administrative expenses associated with LOF (UK). Accordingly, the Company's operating results, which are reported in US Dollars, may be affected by fluctuations in the exchange rate between the US Dollar and Sterling.

The Company enters into forward exchange contracts from time to time to hedge a portion of its expenses which are paid in Sterling. Realized and unrealized gains and losses on foreign currency hedging transactions that are designated and effective as hedges of firm identifiable foreign currency commitments are deferred and recognized in income in the same period as the hedged transaction. The Company has not entered into any speculative derivative contracts. Frontline does not hedge expenses in non-U.S. Dollar currencies, and it is intended that the combined company will adopt Frontline's policy.

Recently Issued Accounting Standards and Commission Rules

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 is effective for financial statements, both interim and annual periods, ending after December 15, 1997, and establishes financial accounting and reporting standards for computing and presenting earnings per share ("EPS"). SFAS 128 simplifies the standards in APB 15 for computing EPS by replacing primary EPS with basic EPS and by altering the calculation of diluted EPS, which replaces fully diluted EPS. SFAS 128 requires basic and diluted EPS figures to be disclosed on the face of the income statement for all entities with complex capital structures. In addition, required disclosures include a reconciliation of the numerator and denominator used to calculate basic EPS to the numerator and denominator used to calculate diluted EPS.

In January 1997, the Commission amended regulations and forms to clarify and expand existing disclosure requirements about a registrant's accounting policies for certain derivative instruments and to add new disclosure requirements about the risk of loss from changes in market rates or prices which are inherent in derivatives and other financial instruments. The accounting policy requirements become effective for filings that include financial statements for periods ending after June 15, 1997.

Taxation

The following summary describes the material United States federal income and Bermuda tax consequences of the ownership and disposition of ADSs by US Shareholders. For purposes of this summary, a "US Shareholder" is an owner of ADSs or New Warrants which is, for US federal income tax purposes, (i) a citizen or resident of the United States or of any political subdivision thereof; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States; (iii) an estate, the income of which is includable in gross income for United States federal income tax purposes regardless of its source; or (iv) a trust if (A) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and (B) one or more United States persons have the authority to control all substantial decisions of the trust. The taxation discussion set forth below does not purport to be a complete analysis or description of all potential tax consequences of the acquisition, ownership and disposal of ADSs by US Shareholders. US Shareholders are advised to consult their own tax advisors with respect to the tax consequences of their acquisition, ownership and disposal of ADSs in their particular circumstances, including the consequences under applicable state, local or foreign law. The statements of Bermuda and United States federal income tax laws set forth below are based on laws in force as of the date of this Joint Proxy Statement/Prospectus, which are subject to change, possibly with retroactive effect. In addition, the summary assumes the accuracy of the representations, and the performance of the obligations, set forth in the deposit agreement among the Company, The Bank of New York and the holders of ADRs, dated as of November 24, 1993, as amended, and any related agreement, in accordance with their terms. For a description of the US federal income tax consequences of the Amalgamation, see "Summary-Certain United States Federal Income Tax Consequences."

United States Tax Considerations

For United States federal income tax purposes, owners of ADSs generally will be treated as the owners of the LOF Ordinary Shares represented by the ADSs.

Dividends

Dividends paid by the Company with respect to LOF Ordinary Shares represented by ADSs will be includable in the gross income of a US Shareholder as ordinary income and generally will constitute foreign source income. Distributions are dividends to the extent such distributions are paid out of the current or accumulated earnings and profits of the Company. Any distribution by the Company in excess of the current and accumulated

earnings and profits of the Company will be treated as a return of capital, which will reduce a US Shareholder's adjusted basis in the ADSs (but not below zero). To the extent any such distribution exceeds the US Shareholder's adjusted basis in the ADSs, the distribution will constitute a capital gain, provided the ADSs are held as a capital asset. If the ADSs are not held as a capital asset, such excess will constitute ordinary income. Dividends received from the Company by a corporate holder of ADSs will not be eligible for the dividends-received deduction.

Sale of ADSs

Generally, a US Shareholder that owns ADSs will recognize a gain or loss for United States federal income tax purposes upon a sale or other disposition of the ADSs in an amount equal to the difference between the amount realized on such sale or other disposition and the US Shareholder's tax basis in the ADSs. Generally, any such gain or loss will be treated as a capital gain or loss if the ADSs are held as a capital asset by the US Shareholder. Any such gain or loss will be long-term capital gain or loss if the ADSs have been held for more than 12 months.

The Taxpayer Relief Act of 1997 (the "1997 Act") reduces the maximum tax rate that is imposed on net capital gains from 28% to 20% on gains derived by individuals from sales after July 28, 1997, of capital assets that are held for more than 18 months. The deductibility of capital losses is subject to certain limitations. Investors are advised to consult their own tax advisors regarding these matters.

Sale or Lapse of New Warrants or Rights

Generally, a US Shareholder that owns New Warrants will recognize a gain or loss for United States federal income tax purposes upon a sale of the New Warrants in an amount equal to the difference between the amount realized on such sale and the US Shareholder's tax basis in the New Warrants. Generally, any such gain or loss will be treated as a capital gain or loss if the New Warrants are held as a capital asset by the US Shareholder. Any such gain or loss will be long-term capital gain or loss if the New Warrants have been held for more than 12 months. If the New Warrants (or Rights) are allowed to expire, the New Warrants (or Rights) will be deemed to have been sold at a loss on the expiration date.

Exercise of New Warrants or Rights

No gain or loss will be recognized by a U.S. Shareholder on the purchase of LOF Ordinary Shares for cash upon exercise of the New Warrants (or Rights). The tax basis of the LOF Ordinary Shares so acquired would be equal to the tax basis of the exercised New Warrants (or Rights) plus the exercise price. For tax purposes, the holding period of the LOF Ordinary Shares acquired upon exercise of the New Warrants (or Rights) will begin on the date of exercise.

Bermuda Tax Considerations

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

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

Financial Statements and Supplementary Data

Financial statements and supplementary data relating to the Company are appended to this Registration Statement.

Directors and Executive Officers

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

Name	Age	Position
John Fredriksen	53	Chairman, Chief Executive Officer, President and Director
Tor Olav Trøim	34	Vice-President, Chief Financial Officer and Director
Ian A. McGrath	61	Director
Miles A. Kulukundis	58	Director
A. Shaun Morris	37	Director
Kenneth Stephen Alexander Douglas	41	Director
Kate Blankenship	33	Group Financial Controller and Secretary

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

John Fredriksen has been the Chairman of the Board, Chief Executive Officer, President and a Director of the Company since November 3, 1997. He is also a member of the Audit Committee. He is also the Chairman and Chief Executive Officer of Frontline. Mr. Fredriksen has served for over five years as a director of Sea Tankers Management Co. Ltd. ("Sea Tankers"), a ship operating company and an affiliate of Frontline's Principal Shareholder. Mr. Fredriksen indirectly controls Frontline's Principal Shareholder, which, as of April 6, 1998, beneficially owns approximately 39.6% of the LOF Ordinary Shares through its beneficial ownership of 49.6% of the Frontline Ordinary Shares. He is a citizen of Norway and a resident of Cyprus.

Tor Olav Trøim has been Vice-President and a Director of the Company since November 3, 1997. He was appointed Chief Financial Officer on November 22, 1997. He has served as Deputy Chairman of Frontline since July 4, 1997, and a Director of Frontline since July 1, 1996. Mr. Trøim also serves as a director of Frontline AB, a wholly-owned subsidiary of Frontline, and is the Chief Executive Officer of Frontline Management, which company supports Frontline in the implementation of decisions made by the Board of Directors of Frontline. Mr. Trøim also serves as a consultant to Sea Tankers. He is a director of Aktiv Inkasso ASA and Northern Offshore ASA, both Norwegian publicly listed companies. Prior to his service with Frontline from January 1992, Mr. Trøim served as Managing Director and a member of the Board of Directors of DNO AS, a Norwegian oil company. Mr. Trøim owns 26,000 Frontline Ordinary Shares and 100,000 call options to purchase Frontline Ordinary Shares. Mr. Trøim is a citizen of Norway.

Ian Alexander McGrath is a non-executive director of the Company and a member of the Compensation Committee. He is a Continuing Director for purposes of the Amalgamation Agreement, and it is expected that he will resign as of the Effective Time. He is the former Chairman of the Company. Dr. McGrath became a director in 1995. He spent his entire career in the Royal Dutch/Shell group of companies, from which he retired in January 1995. His most recent position was as Managing Director of Shell International Shipping, responsible for the group's deep sea tanker operations.

Miles Alexander Kulukundis is a non-executive director of the Company and Chairman of the Audit Committee. He is a Continuing Director for purposes of the Amalgamation Agreement, and it is expected that he will resign as of the Effective Time. He is the former President and Chief Executive Officer of the Company. Mr. Kulukundis became a non-executive director in 1967, Assistant Managing Director in 1976 and Chief Executive Officer in 1983. He is former Chairman of INTERTANKO, a shipping industry association of independent tanker owners and former Chairman of the UK P&I Club.

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

Kenneth Stephen Alexander Douglas has been a non-executive director of the Company since November 3, 1997. He has been an attorney at Appleby, Spurling & Kempe since June 1997 and is a member of the Audit Committee. Mr. Douglas was a Senior Solicitor, Corporate Finance, at Bank of Scotland from 1989 to June 1997.

Kate Blankenship is Group Financial Controller and Secretary of the Company. Mrs. Blankenship joined the Company in 1994. Prior to joining the Company, she was a Manager with KPMG Peat Marwick in Bermuda. She is a member of the Institute of Chartered Accountants in England and Wales.

The Directors of the Company are appointed for an unspecified term. In accordance with the Bye-Laws of the Company, at each Annual General Meeting one third of the Directors (or if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire by rotation. A retiring Director shall be eligible for re-election. The Continuing Directors will resign as of the Effective Time. It is not expected that the Continuing Directors will be replaced immediately.

On November 3, 1997, pursuant to the terms and conditions of the Amalgamation Agreement, the number of directors constituting the Board of Directors of the Company was reduced to six and the following Directors resigned: Huw D. Spiers, Noris Jackson, David Ezekiel, Maryellie K. Johnson, Sir Eddie Kulukundis, O.B.E., Gilbert Massac and Douglas C. Wolcott. Messrs. Miles Kulukundis and Ian A. McGrath continued as directors of the Company. In addition, Dr. McGrath ceased as Chairman of the Company, Mr. Kulukundis ceased as President and Chief Executive Officer of the Company and Mr. Spiers ceased as Chief Financial Officer and Vice-President of the Company.

Compensation of Directors and Officers

During the fiscal year ended March 31, 1997, the Company paid to Directors and officers of the Company (ten persons) aggregate cash compensation of \$596,304 and an aggregate amount of \$13,766 for pension and retirement benefits.

Directors and officers of the Company have been granted options to purchase LOF Ordinary Shares. See "Interests of Certain Persons" and "Information Concerning the Company - Options."

Warrants

As of August 29, 1997, 1,245,588 of the authorized and unissued LOF Ordinary Shares were reserved for issue pursuant to subscription under the Existing Warrants which can be exercised at any time up to December 31, 2003. Each Existing Warrant entitles the holder to subscribe in cash for one LOF Ordinary Share in the Company at a price of £0.40, payable in full upon subscription, subject to adjustment in the event of any subdivision or consolidation of LOF Ordinary Shares or similar event. As of August 29, 1997, 600,000 Existing Warrants have been exercised and 360,294 Existing Warrants have been repurchased by the Company. The remaining Existing Warrants will remain outstanding after the Amalgamation.

Options

As of August 29, 1997, 2,910,000 of the authorized and unissued LOF Ordinary Shares were reserved for issue pursuant to subscription under options granted under the Company's share option plans.

The Company maintains a Bermuda Employee Share Option Scheme (the Bermuda Plan) and a United Kingdom Employee Share Option Scheme (the "U.K. Plan"). Under the terms of the plans, the exercise price for the options may not be less than the average of the fair market value of the underlying shares for the three dealing days before the date of grant. The number of shares granted under the plans may not exceed 7% of the issued share capital of the Company. No consideration is payable for the grant of an option.

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

The following summarizes the share option transactions under the Bermuda Plan:

(in thousands, except per share data)	<u>Shares</u>	<u>Option price per share</u>
Granted December 13, 1993	1,080	\$ 1.500
Granted November 8, 1994	40	1.382
Granted October 31, 1995	30	1.348
Granted February 5, 1997	190	1.173
Exercised	—	—
Cancelled	<u>(50)</u>	<u>-</u>
Options outstanding at August 29, 1997	1,290	\$ 1.173 to 1.500
Options exercisable at August 29, 1997	<u>1,100</u>	<u>\$ 1.348</u> <u>to 1.500</u>

Under the U.K. Plan, options may be granted to any full-time Director or employee of the Company or any subsidiary. Options are only exercisable during the period of seven years following the third anniversary date of the grant.

The following summarizes the share option transactions under the U.K. Plan:

(in thousands, except per share data)	<u>Shares</u>	<u>Option price per share</u>
Granted January 5, 1994	460	£ 0.985
Granted November 8, 1994	500	0.855
Granted October 31, 1995	510	0.855
Granted February 5, 1997	330	0.728
Exercised	-	-
Cancelled	<u>(180)</u>	<u>-</u>
Options outstanding at August 29, 1997	1,620	£0.728
Options exercisable at August 29, 1997	<u>440</u>	<u>to 0.985</u> <u>£0.985</u>

As of November 3, 1997, the number of shares over which Directors and officers have options is as follows:

Director or Officer	<u>Options</u>
John Fredriksen	-
Tor Olav Trøim	-
Ian A. McGrath	-
Miles A. Kulukundis	1,030,000
Kate Blankenship	40,000
Kenneth Douglas	-
A. Shaun Morris	-
	<u>1,070,000</u>

See "Summary - Interests of Certain Persons."

Ownership Of LOF Ordinary Shares

The following table sets forth the share ownership of the principal holders of the outstanding LOF Ordinary Shares as of November 3, 1997 to the extent known by the Company.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent of Class</u>
LOF Ordinary Shares/ ADSs	Frontline Ltd. Mercury House 101 Front Street Hamilton, Bermuda	58,792,575	79.7%

Certain Relationships and Related Transactions

On the Purchase Dates, Frontline purchased 58,792,575 LOF Ordinary Shares from shareholders of the Company pursuant to the terms of the Offer representing approximately 79.7% of the Company's outstanding LOF Ordinary Shares. For a description of the relationships among the Company, Frontline and Sub, see "Recent Developments - The Tender Offer," "- Recommendation of the Prior Board of Directors of the Company; Background and Reasons for the Amalgamation," "- Recommendation of the Board of Directors of the Company," and "Information Concerning the Company - Certain Relationships and Related Transactions."

In connection with the execution of the Amalgamation Agreement, Chase and the Company entered into a commitment letter arranged by Frontline through Chase for the \$100 million Long Term Loan to refinance the Company's three Suezmax tankers. For additional information concerning the Long Term Loan, see "Recent Developments; The Tender Offer and the ICB Transactions - The Tender Offer" and "Information Concerning the Company - Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

INFORMATION CONCERNING FRONTLINE

Business of Frontline

Frontline

Frontline was incorporated in Bermuda on April 29, 1997, in furtherance of the aim of Frontline AB to change its domicile to Bermuda, and to change its listing from the Stockholm Stock Exchange to the Oslo Stock Exchange. On July 14, 1997, following an offer to the holders of shares and convertible debentures of Frontline AB, Frontline became the owner of 99% of such shares and 74% of such convertible debentures. Frontline subsequently acquired additional convertible debentures, bringing its total to 86% of such convertible debentures. Frontline was listed on the Oslo Stock Exchange on July 7, 1997, and delisted from the Stockholm Stock Exchange on July 4, 1997.

Frontline is a world leader in the international seaborne transportation of crude oil, with one of the world's largest modern fleets of VLCC and Suezmax tankers and OBO carriers. Pursuant to a fleet expansion program, Frontline has taken delivery of 16 new oil tankers and OBO carriers since 1991. In the next two years Frontline is scheduled to take delivery of five additional Suezmax tankers and has options to assume building contracts for five VLCC newbuildings scheduled for delivery in 1998 and 1999. Frontline also owns three wood-chip carriers and has a minority interest in two older Suezmax tankers built in 1978 and 1979, and charters in one OBO carrier and one modern Suezmax tanker. Frontline's fleet has a total tonnage of approximately 3.9 million dwt, which, based on current orders and assuming no dispositions and including the Company's three tankers, is anticipated to grow to 4.4 million dwt by the middle of 1998. By the middle of 1998, the Company estimates that it will own and operate one of the most modern fleets of tankers and OBO carriers in the world, comprised of vessels with an average age of 5.4 years versus an estimated industry average of over 10 years. By such time, Frontline's fleet will be comprised of vessels which the Company believes will comply with the most stringent generally applicable environmental regulations for tankers. See "Frontline Proposal 2 - The Amalgamation and Sale; Special Considerations Relating to the Amalgamation."

As of January 30, 1998, Frontline owns shares representing approximately 31.4% (approximately 22.1% upon consummation of the Astro Transactions) of the voting power of ICB, which owns and operates a fleet of eleven tankers. Frontline is currently the largest shareholder of ICB. See "Recent Developments - The ICB Transaction."

Frontline is committed to providing quality transportation services to all of its customers and to developing and maintaining long term relationships with the major charterers of tankers. Frontline believes that its OBO carriers offer a competitive advantage in contrast to the fleets of other large tanker owning companies, since they are able to carry different types of cargo and can minimize the number of days at sea in ballast (without cargo). Frontline believes that its OBO carriers are a source of added strength and security to Frontline since the vessels have two markets in which to operate.

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. All of Frontline's OBOs carriers built since 1991, and all of its vessels on order, are constructed with double hulls trading in the United States and with the rules and regulations of the IMO. Frontline's fleet of modern single hull VLCCs may discharge crude oil at LOOP until the year 2015, and its three modern single hull Suezmax tankers may call at US ports until the year 2010 under the phase-in schedule for double hull tankers presently prescribed under OPA 90. See "Regulation" below.

Frontline's plan is to create one of the world's largest publicly traded shipping companies, with a modern, high quality VLCC, Suezmax and OBO fleet. Frontline's business strategy is primarily based upon the following principles: (i) emphasizing operational safety and quality maintenance for all of its vessels; (ii) complying with all current and proposed environmental regulations; (iii) outsourcing technical operations and crewing; (iv) containing operational costs of vessels; (v) owning one of the most modern fleets of tankers in the world by the middle of 1998; (vi) achieving high utilization of its vessels; and (vii) reducing financing costs. Spot market rates are typically higher than time charter rates to compensate for the lack of confirmed continual employment. After having delivered their cargo, spot market vessels typically operate in ballast (without cargo) until being rechartered. It is the time element associated with these ballast legs which Frontline seeks to minimize by efficiently chartering its OBO carriers and tankers. Frontline seeks to maximize earnings in employing vessels in the spot market or under time charters or under contracts of affreightment.

Operations

Similar to structures commonly used by other shipping companies, Frontline's vessels are all owned by, or chartered to, separate subsidiaries. Frontline Management, a wholly-owned subsidiary of Frontline, supports Frontline in the implementation of its decisions. Frontline Management is responsible for the commercial management of Frontline's shipowning subsidiaries, including chartering and insurance. Each vessel owned by Frontline is registered under Liberian, Singaporean, Norwegian or Panamanian flag. Frontline's vessels are managed by the independent ship management companies Acomarit Shipmanagement Ltd. ("Acomarit") and Barber International ("Barber"), and affiliates. Pursuant to management agreements, each of Acomarit and Barber provides operations, ship maintenance, crewing, technical support, shipyard supervision and related services to Frontline. The accounting management services for each of the shipowning subsidiaries of Frontline are provided by Seabridge Management Services PTE Ltd., a wholly-owned subsidiary of ICB, and Foyen Management A.S., a Norwegian company. See "Frontline Proposal 2 - The Amalgamation; Special Considerations Relating to the Amalgamation - Frontline's Operations."

Further Expansion of Fleet

The tanker market in general has been depressed for a number of years, largely as a result of an excess of tonnage supply over demand. In 1994, the VLCC sector of the tanker market appeared to be at or near a cyclical low. Frontline expects the VLCC and Suezmax markets to continue to improve as supply declines and demand for Middle East Gulf crude oil increases. Frontline expects VLCC and Suezmax demand to continue to increase due to the gradual recovery of industrial economies worldwide combined with anticipated reductions in US oil production.

In addition, fleet size in the industrial shipping sector is increasingly important in negotiating terms with major clients and charterers. Frontline believes that a large, high-quality VLCC, Suezmax and OBO fleet will enhance Frontline's ability to obtain flexible terms from suppliers and shipbuilders and to produce cost savings in chartering and operations.

Based on these considerations, Frontline intends further to expand its fleet and acquire additional VLCCs and Suezmax tankers. Frontline believes that VLCC and Suezmax freight rates and market values will support such expansion. Due to the aging profile of the existing world fleet, enforcement of environmental regulations and customer demand, Frontline believes that there will be increased demand for modern VLCCs and Suezmax tankers needed to carry the world oil trade during the late 1990s and early 2000s. As a result, opportunities exist to purchase options to acquire newbuildings and for selective investment in VLCC and Suezmax tankers built in the 1990s which are in good operating condition, with prospects to yield operating profits and capital gains over the next several years. Although VLCC freight rates and market values are volatile, Frontline believes that investment in such VLCC and Suezmax tankers in today's market carries a limited amount of downside risk while offering the prospect of significant upside potential.

As part of its vessel acquisition policy, Frontline will conduct a physical inspection of each tanker and will examine its construction, prior ownership, operating history and classification records. Among the secondhand VLCC and Suezmax tankers which Frontline may purchase are tankers subject to existing bareboat charters or leases with major oil companies. Frontline may also purchase options to acquire such tankers at the expiration of such bareboat charters or leases. See "Frontline Proposal 2 - Special Considerations Relating to the Amalgamation - Purchase and Operation of Tanker Vessels."

Frontline may acquire assignments of newbuilding contracts of VLCC and Suezmax tankers shortly to be delivered if Frontline determines that such contracts can be acquired at prices Frontline deems competitive.

Inspection by a Classification Society

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

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

Customers

Customers of Frontline include major oil companies, refined petroleum products traders, government agencies and various other entities. No single customer accounted for more than 10% of Frontline's consolidated revenues in the six month period ending June 30, 1997.

Competition

The market for international seaborne crude oil transportation services is highly fragmented and competitive. Seaborne crude oil transportation services generally are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. In addition, several owners and operators pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Many major oil companies and other oil

trading companies, the primary charterers of the vessels owned or controlled by Frontline, 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 Frontline engages.

Employees

As of September 30, 1997, Frontline, Frontline Management, Frontline AB and Frontline Singapore Pte Ltd., a Singapore company and wholly owned subsidiary of Frontline, employ 19 people in their respective offices in Oslo, Stockholm and Singapore. Frontline contracts with Barber and Acomarit, independent ship management companies, to manage and operate its vessels. See "Information Concerning Frontline - Operations" above.

Risk of Loss and Insurance

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

Frontline Management is responsible for arranging for the insurance of the vessels in line with standard industry practice. In accordance with marine insurance industry standard practice, Frontline maintains marine hull and machinery and war risks insurance, which includes the risk of actual or constructive total loss, and protection and indemnity insurance with mutual assurance associations. Frontline from time to time carries insurance covering the loss of hire resulting from marine casualties in respect of some of its vessels. Frontline believes that its current insurance coverage is adequate to protect against most of the accident-related risks involved in the conduct of its business and that it maintains appropriate levels of environmental damage and pollution insurance coverage. Currently, the amount of coverage for liability for pollution, spillage and leakage available to Frontline on commercially reasonable terms through protection and indemnity clubs and providers of excess coverage is \$700 million per vessel per occurrence. Protection and indemnity clubs are mutual marine liability associations formed by shipowners to provide protection from large financial loss to one member by contribution towards that loss by all members.

There can be no assurance that all risks are adequately insured against, that any particular loss will be covered or that Frontline will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

Regulation

The business of Frontline and the operation of its vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which such vessels operate, as well as in the country or countries of their registration. Because such conventions, laws and regulations are often revised, Frontline cannot predict the ultimate cost of complying with such revised conventions, laws and regulations or the impact thereof on the resale price or useful life of its vessels. Frontline is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operation of the vessels owned by Frontline will depend upon a

number of factors, Frontline believes that it has been and will be able to obtain all permits, licenses and certificates material to the conduct of its operations.

Frontline believes that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will impose greater inspection and safety requirements on all vessels in the tanker market and will accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand in the seaborne refined petroleum products transportation industry for vessels that are able to conform to the stricter environmental standards currently being imposed throughout the world. All of Frontline's vessels built since 1991 and all of the vessels Frontline has on order comply with the requirements of OPA 90 for trading in the United States and with the rules and regulations of the IMO. In addition, Frontline maintains operating standards for all of its vessels that emphasize operational safety, quality maintenance, continuous training of its crews and officers and compliance with United States and international regulations.

On March 6, 1992, the IMO adopted regulations which set forth new and upgraded requirements for pollution prevention for tankers. These regulations apply to owners and operators of vessels, the country under whose flag Frontline's vessels are registered and provide, in part, that (i) tankers between 25 and 30 years old must be of double hull construction or of a mid-deck design with double side construction, unless they have wing tanks or double bottom spaces, not used for the carriage of oil, which cover at least 30% of the length of the cargo tank section of the hull or are capable of hydrostatically balanced loading which ensures at least the same level of protection against oil spills in the event of collision or stranding, (ii) tankers 30 years or older must be of double hull construction or mid-deck design with double side construction, and (iii) all tankers will be subject to enhanced inspections. Some classification societies, the certificates of which evidence compliance with the IMO regulations, may implement these enhanced inspection requirements prior to the effective date of such regulations. Also, under the IMO regulations, a tanker must be of double hull construction or a mid-deck design with double-side construction or be of another approved design ensuring the same level of protection against oil pollution in the event that such tanker (i) is the subject of a contract for a major conversion or original construction on or after July 6, 1993, (ii) commences a major conversion or has its keel laid on or after January 6, 1994, or (iii) completes a major conversion or is a newbuilding delivered on or after July 6, 1996.

In addition, many countries have adopted the CLC, as amended by a 1976 protocol, a 1984 protocol and a 1992 protocol. Under the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Liability is currently limited to certain U.S. dollar amounts based on the size of the vessel. The limit of liability is tied to a unit of account which varies according to a basket of currencies. At March 31, 1997, that limit was approximately \$82.7 million if the country in which the damage results is a party to the 1992 protocol, which raised the maximum limit to that level. The right to limit liability is forfeited where the spill is caused by the owner's actual fault or privity and, under the 1992 protocol, where the spill is caused by the owner's intentional or reckless conduct. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern and liability is imposed either on the basis of fault or in a manner similar to the CLC.

All of Frontline's vessels on order are of double hull construction and will comply with the IMO regulations upon their effective date. Frontline cannot at the present time evaluate the likelihood of whether compliance with the new regulations regarding inspections of all vessels will adversely affect Frontline's operations, or the magnitude of any such adverse effect, due to uncertainty of interpretation of the IMO regulations.

OPA 90 established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade to the United States or its territories or possessions or whose vessels operate in United States waters, which include the United States territorial sea and the two hundred nautical mile exclusive economic zone of the United States.

Under OPA 90, vessel owners, operators and demise charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party (subject to certain statutory qualifications the effects of which have not been determined by any judicial interpretation), an act of God or an act of war) for all oil spill containment and clean-up costs and other damages arising from oil spills pertaining to their vessels. These other damages are defined broadly to include (i) natural resources damage and the costs of assessment thereof, (ii) real and personal property damages, (iii) net loss of taxes, royalties, rents, fees and other lost revenues, (iv) lost profits or impairment of earning capacity due to property or natural resources damage, (v) net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and (vi) loss of subsistence use of natural resources. OPA limits the liability of responsible parties to the greater of \$1,200 per gross tonne or \$10 million per tanker (subject to possible adjustment for inflation). These limits of strict liability would not apply if the incident were proximately caused by violation of applicable United States federal safety, construction or operating regulations or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities. Frontline currently insures and, provided such insurance remains available at a commercially reasonable cost, plans to insure each of its vessels with pollution, spillage and leakage liability insurance in the amount of \$700 million per vessel per occurrence. This is the amount currently available to Frontline in the insurance market on commercially reasonable terms. The liability resulting from a catastrophic spill could exceed the insurance coverage available, in which event there could be a material adverse effect on Frontline. See "Risk of Loss and Insurance." Additionally, under OPA 90, the liability of responsible parties, United States or foreign, with regard to oil pollution damage in the United States is not preempted by any international convention.

Under OPA 90, with certain limited exceptions, all newly built or converted tankers operating in United States waters must be built with double hulls conforming to particular specifications. Existing vessels which do not comply with the double hull requirement must be phased out over a 20-year period (1995-2015) based on size, age and place of off-loading, unless retrofitted with double hulls.

Notwithstanding the phase-in period, OPA currently permits existing single hull tankers to operate until the year 2015 if (i) their operations within United States waters are limited to discharging at LOOP or off-loading by means of lightering activities within authorized lightering zones more than 60 miles off-shore and (ii) they are otherwise in compliance with applicable laws and regulations.

OPA expands the pre-existing financial responsibility requirements for vessels operating in United States waters and requires owners and operators of vessels to establish and maintain with the US Coast Guard evidence of insurance or of qualification as a self-insurer or other evidence of financial responsibility sufficient to meet their potential strict liability limit under OPA 90. The US Coast Guard has adopted regulations which require evidence of financial responsibility equal to the strict liability limit demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA 90, an owner or operator of more than one tanker is required only to demonstrate evidence of financial responsibility for the tanker having the greatest maximum strict liability limit under OPA 90.

The US Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA 90, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility; and, in the event that such insurer or guarantor is sued directly, it is prohibited from asserting any defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Frontline currently maintains evidence of insurance through Shoreline Mutual (Bermuda) Ltd.

Owners or operators of tankers operating in United States waters must file vessel response plans with the US Coast Guard and their tankers must operate in compliance with their US Coast Guard approved plans. Such response plans must, among other things, (i) identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case" discharge, (ii) describe crew training and drills, and (iii) identify a qualified individual with full authority to implement removal actions.

OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and many states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. Frontline intends to comply with all applicable state regulations in ports where Frontline's vessels call.

The EC is considering legislation that will affect the operation of oil tankers. Any such legislation would become the law of Norway upon its adoption by the EC. It is impossible to predict what legislation, if any, may be promulgated by the EC or any other country or authority.

The operation of Frontline's vessels is also affected by the International Ship Management Code ("ISM Code"), which as of July 1, 1998, will require shipowners and bareboat charterers to develop an extensive "Safety Management System," which includes policy statements, manuals, standard procedures and lines of communication. Noncompliance with the ISM Code may subject the shipowner or bareboat charterer to increased liability and may lead to decreases in available insurance coverage for affected vessels, denial of permission to enter ports or detention by port authorities. Although compliance with the ISM Code is the responsibility of a bareboat charterer where its vessels are subject to such charters, Frontline may become primarily responsible for compliance with the ISM Code if a bareboat charterer were to default in its obligations under its charters.

Frontline's Vessels

Frontline operates a substantially modern fleet of 23 vessels consisting of nine OBOs, five VLCCs, six Suezmax tankers and three wood chip carriers. Frontline owns 19 of such vessels through indirect wholly-owned subsidiaries and two of such vessels through limited partnerships. Four of such vessels are chartered to an indirect wholly-owned subsidiary of Frontline. Frontline also has five Suezmax tankers on order and options for five VLCCs. The total tonnage of Frontline's existing fleet equals approximately 3.9 million dwt and all of its wholly-owned vessels (except the three woodchip carriers) were built in the 1990s. The following table sets forth the fleet operated by Frontline as of January 30, 1998:

Owned Tonnage

<u>Vessel</u>	<u>Built</u>	<u>Dwt.</u>	<u>Flag</u> ¹	<u>Type of Employment</u>
<u>VLCCs</u>				
Front Highness	1991	284,000	SG	Contract/Spot market
Front Lady	1991	284,000	SG	Contract/Spot market
Front Lord	1991	284,000	SG	Contract/Spot market
Front Duke	1992	284,000	SG	Contract/Spot market
Front Duchess	1993	284,000	SG	Contract/Spot market
<u>OBO Carriers</u>				
Front Breaker	1991	169,000	LR	Contract/Spot market
Front Climber	1991	169,000	SG	Contract/Spot market
Front Driver	1991	169,000	LR	Contract/Spot market

1. LR-Liberia, NO-Norway, PA-Panama, SG-Singapore.

Front Guider	1991	169,000	SG	Contract/Spot market
Front Leader	1991	169,000	SG	Contract/Spot market
Front Rider	1992	169,000	SG	Contract/Spot market
Front Striver	1992	169,000	SG	Contract/Spot market
Front Viewer	1992	169,000	SG	Contract/Spot market

Suezmaxes

Lillo	1991	147,000	LR	Time charter
Front Emperor	1992	147,000	SG	Spot market
Pollytrader (40%)	1978	126,000	NO	Time charter
Pollytraveller (35%)	1979	126,000	NO	Time charter
Front Spirit	1991	147,000	LR	Spot market

Wood Chip Carriers

Forest Sovereign	1975	47,000	LR	Contract/Spot market
Forest Trader	1974	42,000	LR	Time charter
World Wood	1974	47,000	LR	Spot market

Chartered In Tonnage

<u>Vessel</u>	<u>Built</u>	<u>Dwt</u>	<u>Flag</u>	<u>Type of Employment</u>
<u>Suezmax</u>				
Glen Maye	1992	152,000	PA	Spot market
<u>OBO Carrier</u>				
Algarrobo	1984	156,000	NO	Spot market

Properties

Frontline Management AS leases office space in Oslo, Norway, from Sea Shipping AS, a company controlled by Frontline's Principal Shareholder, at market rates. Frontline leases offices space in Stockholm, Sweden, and Frontline Singapore Pte Ltd. shares leased office space in Singapore.

Legal Proceedings

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

In addition, Frontline has challenged the Astro Transactions and has sought to block their completion in the Stockholm district court. See "Recent Developments; The Tender Offer and The ICB Transaction - The ICB Transaction."

Selected Financial Data

The following tables set forth a summary of the financial information for Frontline as of the dates and for the periods indicated. The selected statement of operations and balance sheet data for each of the years have been derived from the historical consolidated financial statements of Frontline, which have been audited by Coopers & Lybrand, independent accountants. See "Experts." The following data should be read in conjunction with "Information Concerning Frontline - Management's Discussion and Analysis of Financial Condition and Results of Operations" and Frontline Consolidated Financial Statements and Notes thereto included elsewhere in this Joint Proxy Statement/Prospectus. The selected combined financial data set forth below for the nine-month periods ended September 30, 1996 and 1997 have been extracted or derived from and are qualified by reference to the Interim Consolidated Financial Statements of the Company and the notes thereto included elsewhere in this Joint Proxy Statement/Prospectus. Frontline prepares its consolidated financial statements in accordance with Swedish GAAP, which differs in certain significant respects from US GAAP. Reconciliation of the Frontline financial information from Swedish GAAP to US GAAP is in accordance with the rules and requirements of the Commission. See Note 17 to the Annual Consolidated Financial Statements and Note 2 to the Interim Consolidated Financial Statements of Frontline included elsewhere in this Joint Proxy Statement/Prospectus for a description of the significant differences between Swedish GAAP and US GAAP affecting Frontline's consolidated net income (loss) and shareholders' equity.

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
	1997	1996	1996	1995	1994	1993	1992
	SEK	SEK	SEK	SEK	SEK	SEK	SEK
Statement of Operations Data	(Unaudited)		(In millions, except per share data)				
<i>Amounts in accordance with Swedish GAAP:</i>							
Operating Revenues	1,396	913	1,222	1,444	1,266	1,318	1,059
Operating Income (Loss)	269	43	50	184	3	(184)	(342)
Net Income (Loss)	63	(67)	(97)	19	(165)	(332)	(430)
Net Income (Loss) Per Share	0.62	(1.54)	(2.07)	0.45	(3.82)	(11.81)	(20.16)
<i>Amounts in accordance with USGAAP:</i>							
Operating Revenues	1,369	891	1,193	1,405	N/A	N/A	N/A
Operating Income (Loss)	246	34	33	158	N/A	N/A	N/A
Net Income (Loss)	62	(65)	(95)	19	N/A	N/A	N/A
Net Income (Loss) Per Share	0.61	(1.50)	(2.03)	0.43	N/A	N/A	N/A

	For the Nine Months Ended September 30,		As of December 31,					
	1997	1996	1996	1995	1994	1993	1992	
	SEK	SEK	SEK	SEK	SEK	SEK	SEK	
Balance Sheet Data (at the end of period)								
		(Unaudited)		(In millions, except per share data)				
Amounts in accordance with Swedish GAAP:								
Total Assets	9,054	N/A	6,297	3,626	3,987	4,696	4,445	
Total Debt - Excluding Current Portion	3,795	N/A	3,465	2,126	2,344	2,782	2,697	
Shareholders' Equity	3,917	N/A	2,260	1,116	1,242	1,578	1,271	
Cash Dividends Declared Per Share	0	0	0	0	0	0	0	
Amounts in accordance with USGAAP:								
Total Assets	8,995	N/A	6,328	3,670	N/A	N/A	N/A	
Total Debt - Excluding Current Portion	3,795	N/A	3,465	2,168	N/A	N/A	N/A	
Shareholders' Equity	3,859	N/A	2,251	1,106	N/A	N/A	N/A	
Cash Dividends Declared Per Share	0	0	0	0	0	0	0	

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Frontline is a vessel owner and operator that transports dry cargo and oil products internationally. Frontline operates a substantially modern fleet of vessels, and its strategy is to become one of the world's largest publicly traded tanker owning companies with a modern, high quality fleet.

Frontline currently operates 23 vessels, including nine OBOs, five VLCCs, six Suezmax tankers and three wood chip carriers. Frontline owns 19 of such vessels through direct and indirect wholly-owned subsidiaries and two of such vessels through limited partnerships. Four of such vessels are chartered to an indirect wholly-owned subsidiary of Frontline. The tonnage of this existing operated fleet totals approximately 3.9 million dwt. In addition, Frontline has five Suezmax tankers on order and options for four VLCCs. All of these vessels will be built by the Hyundai Heavy Industries shipyard in South Korea. Delivery dates range from mid-1998 to early 2000, and delivery prices are estimated at \$81 million per VLCC and \$51 million per Suezmax tanker.

The charter rates that Frontline is able to obtain for its services are determined in a highly competitive global market. Although the tanker market in which Frontline competes recently has experienced relative stability in earnings performance and asset values, historically the overall tanker business has been highly cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of and demand for vessel capacity.

In August 1996, Frontline's Board of Directors concluded that Frontline should take further steps to become a leading tanker shipping company with a focus on modern VLCC and Suezmax tonnage. Frontline intends to achieve this objective by active expansion of its fleet. In addition, Frontline's dry cargo operations will be performed primarily by its OBO carriers in the future.

Freight Market Review

Since 1994, the average daily earnings of the tankers and OBOs in Frontline's fleet, measured in time charter equivalent ("TCE") rates, have been as follows:

dwt	Year			First nine months	
	1994	1995	1996	1996	1997
284,000s VLCC.....	n.a.	n.a.	\$27,700	n.a.	\$29,300
169,000s OBO.....	\$22,000	\$24,700	\$23,000	\$23,000	\$25,800
147,000s Suezmax.....	\$25,000	\$26,900	\$26,800	\$24,850	\$23,300

Through efficient chartering practices, Frontline seeks to minimize the amount of time the OBO carriers operate in ballast. In 1996, Frontline's OBO fleet operated in ballast 22% of the time. This compares with a tanker industry average of 35-45% which Frontline estimates for oil tankers that do not carry dry cargo. As a result, Frontline's OBO fleet generates TCE rates which are somewhat higher than these for similar sized oil tankers. Frontline believes that the time it operates its VLCCs and Suezmax tankers in ballast is at industry standards.

Currency of Financial Statements

For the fiscal years ended December 31, 1996, 1995 and 1994, as explained in footnote 1 to Frontline's Interim Consolidated Financial Statements, Frontline's financial statements are expressed in SEK in accordance with Swedish generally accepted accounting principles. Frontline's interim financial statements also are expressed in SEK in accordance with Swedish generally accepted accounting principles.

Results of Operations

Nine Months Ended September 30, 1997 versus Nine Months Ended September 30, 1996

As part of its fleet expansion program, during the nine months ended September 30, 1997 Frontline acquired options to purchase a third Suezmax and four VLCC newbuilding contracts.

During this period, Frontline's vessels operated in both the spot market and the long term charter market.

Net voyage revenue (often termed income on timecharter basis) from vessels increased by 85.4% to SEK 1069.6 million in the nine months ended September 30, 1997 from SEK 577.0 million in the nine-month period ended September 30, 1996, due to an increase in the capacity of Frontline's fleet and improved charter rates. Operating expenses (ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) increased by 21.6% to SEK 476.8 million in the nine months ended September 30, 1997 from SEK 392.1 million in the nine-month period ended September 30, 1996. The change in operating expenses consisted of an increase in ship operating expenses of SEK 101.3 million due to an increase in the number of vessels owned, a decrease in charter hire expenses on account of chartered in vessels of SEK 56.6 million due to a reduction in the number of vessels chartered-in, and an increase in general and administrative costs of SEK 40.0 million primarily due to restructuring costs in connection with the redomiciliation of Frontline from Sweden to Bermuda. As a percentage of revenues, operating expenses decreased from 67.9% during the nine-month period ended September 30, 1996, as compared to 44.6% during the nine-month period ended September 30, 1997. As a result, operating income before depreciation and amortization (also termed EBITDA Earnings Before Interest Taxes Depreciation and Amortization; EBITDA is not a financial statement item) increased by 189.0% to SEK 592.8 million in the nine months ended September 30, 1997 from SEK 205.1 million in the nine-month period ended September 30, 1996.

Depreciation and amortization charges increased by 99.9% to SEK 323.7 million in the nine months ended September 30, 1997 from SEK 162.0 million in the nine-month period ended September 30, 1996 due to the purchase of vessels in late 1996. Accordingly, operating income after depreciation (also termed EBIT Earnings Before Interest and Taxes; EBIT is not a financial statement item) increased by 523.6% to SEK 269.1 million in the nine months ended September 30, 1997 from SEK 43.1 million in the nine-month period ended September 30, 1996.

Interest and other income increased by 39.3% to SEK 25.2 million in the nine months ended September 30, 1997 from SEK 18.1 million in the nine-month period ended September 30, 1996. Interest and finance expenses increased by 81.3% to SEK 231.7 million in the nine months ended September 30, 1997 from SEK 127.8 million in the nine-month period ended September 30, 1996 due to higher debt levels in connection with the financing of vessels acquired in late 1996. Consequently, net income increased by 193.9% to SEK 62.5 million in the nine months ended September 30, 1997 as compared to a loss of SEK 66.6 million in the nine-month period ended September 30, 1996. As of September 30, 1997, 64% of Frontline's outstanding debt bears interest at floating rates, the rest is fixed through swap agreements with the lending banks for periods varying from two to four years.

1996 versus 1995

During 1996, Frontline expanded its fleet by acquiring five VLCCs, one Suezmax tanker and two OBO carriers. Further, Frontline obtained options on newbuilding contracts for two Suezmax tankers to be delivered during 1998. In addition, Frontline sold two small OBO carriers in 1996.

In 1996, Frontline operated in a balanced tanker market. A modest increase in global demand for refined petroleum products in the main consuming areas coupled with increased operating costs influenced its overall financial performance.

Net voyage revenue (income on time charter basis) from vessels decreased by 22.9% to SEK 766.8 million in 1996 from SEK 994.7 million in 1995, mainly due to the reduction in number of vessels chartered in. The decrease was partially offset by revenues from an increase in Frontline's fleet reflecting vessels acquired in late 1996. Operating expenses (ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) decreased by 9.9% to SEK 534.5 million in 1996 from SEK 593.0 million in 1995. The change consisted of an increase in ship operating expenses of SEK 20.0 million due to an increase in the number of ships owned, a decrease in charter hire expenses on account of chartered in vessels of SEK 86.6 million due to a reduction in the number of vessels chartered-in, and an increase in general and administrative costs of SEK 8.1 million. As a percentage of revenues, operating expenses increased from 59.6% in 1995 to 69.7% in 1996. In 1996 Frontline recorded a gain of SEK 40.9 million on sale of the two smaller OBO carriers, no gains or losses from vessel disposals were recorded in 1995. As a result, operating income before depreciation and amortization (EBITDA) decreased by 32.0% to SEK 273.2 million in 1996 from SEK 401.8 million in 1995.

Depreciation and amortization charges increased by 2.2% to SEK 222.9 million in 1996 from SEK 218.1 million in 1995, as a result of the increase in the fleet due to the acquisition of vessels in late 1996. Accordingly, operating income after depreciation (EBIT) decreased by 72.6% to 50.3 million in 1996 from SEK 183.7 million in 1995.

Interest and other income decreased by 14.8% to SEK 24.8 million in 1996 from SEK 29.1 million in 1995, primarily due to lower cash balances. Interest and finance expenses decreased by 11.1% to SEK 171.9 million in 1996 from SEK 193.3 million in 1995, due to lower levels of debt and lower interest rates during most of 1996 as compared to 1995. Consequently, Frontline incurred a loss of SEK 96.9 million in 1996 as compared to a profit of SEK 19.5 million in 1995.

1995 versus 1994

Net voyage revenue (income on time charter basis) from vessels increased by 17.9% to SEK 994.7 million in 1995 from SEK 843.7 million in 1994, due to the acquisition of the two small OBO carriers, more vessels chartered in and higher freight rates for the OBO carriers and tanker vessels. Operating expenses (ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) decreased by 2.2% to SEK 593.0 million in 1995 from SEK 606.5 million in 1994 primarily due to lower chartering expenses on account of chartered in vessels. As a percentage of revenues, operating expenses decreased to 59.6% in 1995 from 71.9% in 1994. As a result, operating income before depreciation and amortization (EBITDA) increased by 69.4% to SEK 401.8 million in 1995 from SEK 237.2 million in 1994.

Depreciation and amortization charges decreased by 6.7% to SEK 218.1 million in 1995 from SEK 233.9 million in 1994 due to the amortization of a purchase option in amount of SEK 23.0 million in 1994. Accordingly, operating income after depreciation (EBIT) was SEK 183.7 million in 1995 as compared to a loss of SEK 3.3 million in 1994.

Interest and other income increased by 14.2% to SEK 29.1 million in 1995 from SEK 25.5 million in 1994 primarily due to higher cash balances in 1995. Interest and finance expense decreased by 0.2% to SEK 193.3 million in 1995 from SEK 193.8 million in 1994. Net income in 1995 was SEK 19.5 million as compared to a loss of SEK 165 million in 1994, primarily due to improvement in the freight rates.

Inflation

Although inflation has had a moderate impact on operating expenses, drydocking expenses and corporate overhead, management does not consider inflation to be a significant risk to direct costs in the current and foreseeable economic environment. In addition, in a shipping downturn, costs subject to inflation can usually be controlled because shipping companies typically monitor costs to preserve liquidity and encourage suppliers and service providers to lower rates and prices. However, in the event that inflation becomes a significant factor in the world economy, inflationary pressures could result in increased operating and financing costs.

Operating Currency

The international tanker industry's functional currency is the US dollar and, as a result, virtually all of Frontline's revenues are in US dollars. Until June 1997, general and administrative expenses were incurred in Swedish Kronor, and thereafter in Norwegian Kroner, due to establishing Frontline Management AS in Oslo, Norway, while a significant portion of the operating expenses are incurred in US dollars and, to a lesser extent, other currencies. The five Suezmax newbuildings currently on order by Frontline were ordered under shipbuilding contracts denominated in US dollars. Frontline does not routinely hedge its foreign exchange exposure, and it is intended that the combined company will follow the same policy.

Liquidity and Capital Resources

The liquidity requirements of Frontline relate to servicing its debt, funding the equity portion of investments in vessels, funding working capital and maintaining cash reserves against fluctuations in operating cash flow.

Frontline operates in a capital intensive industry requiring extensive investment in revenue producing assets. Funds invested are raised mainly from debt issuance and Frontline's internally generated funds. The equity portion of an investment in a newbuilding is usually paid in installments, commencing one to three years in advance of delivery, for 20% to 60% of the vessel purchase price. Frontline currently has on order five Suezmax tankers for a total acquisition cost of approximately \$255 million, of which \$175 million is subject to debt financing, with the balance to be paid out of cash from operations and working capital. As of November 25, 1997, Frontline had advanced approximately \$57 million to the builder in connection with the construction of these vessels. Assuming that Frontline secures \$175 million in debt financing, Frontline should require additional financing in the amount of \$23 million for its current vessel newbuilding commitments, assuming that Frontline's cash flow from operations will be sufficient to finance the construction in the period prior to the time Frontline takes delivery of the vessels. If any of its options to assume newbuilding contracts is exercised, the capital outlay would be \$81 million per VLCC plus working capital of \$4 million, for a total of \$85 million per vessel. The equity requirement would be approximately \$20.5 million per vessel, assuming a first priority bank loan of \$50 million and a second priority financing from the builder of \$14.5 million. There is no assurance such debt financing can be obtained.

Since July 1997, as a result of its fleet expansion program, Frontline has made capital expenditures of approximately \$72 million relating to the purchase of a Suezmax tanker and installments for the five Suezmax newbuildings. The purchase of the vessel included assuming a loan facility on that vessel in the amount of \$27.5 million. In addition, Frontline has invested SEK 1,645 million or \$215 million in the Swedish publicly traded shipping company ICB Shipping AB. This investment has been partly financed through a \$98 million credit facility. To finance the equity requirements for these investments Frontline has carried out four private placements during the third quarter of 1997 for a total consideration of Norwegian Kroner 1,292.5 million or approximately \$170 million. Accordingly, Frontline has increased its outstanding indebtedness by \$115 million during the quarter ended September 30, 1997. Total debt as a percentage of total assets decreased to 56.7% at September 30, 1997 as compared to 64.1% at December 31, 1996, 69.2% at December 31, 1995 and 68.8% at December 31, 1994. Interest cover (the ratio of EBITDA to interest expense) increased to 2.5 in the nine months ended September 30, 1997, from 1.6 in 1996, 2.1 in 1995 and 1.2 in 1994. Frontline intends to use the cash flow from its increased fleet capacity primarily to repay its outstanding debt.

Frontline believes that, based upon current levels of operations and anticipated improvements in charter market conditions, cash flow from operations, together with other available sources of funds (in the form of either equity or debt financing) will be adequate to make required payments of principal and interest on Frontline's debt, to permit anticipated capital expenditures including a possible acquisition of the four VLCC newbuildings as to which Frontline has options, to fund working capital requirements and to enable Frontline to comply with the terms of its financing agreements. There can be no assurance such improvements in charter market conditions will occur or that such conditions will not deteriorate.

Frontline generated cash from operations of SEK 333.0 million in the nine months ended September 30, 1997, as compared to SEK 72 million in the nine months ended September 30, 1996, SEK 94.8 million in 1996, SEK 186.9 million in 1995, and SEK 103.1 million in 1994. The decline in cash from operations from 1995 to 1996 was attributable to weaker charter market conditions in 1996. Net cash used in investing activities, consisting of payments for vessel acquisitions and the investment in ICB, was SEK 2286.2 million in the nine months ended September 30, 1997 (as compared to SEK 116.0 million in the nine months ended September 30, 1996), negative SEK 242.2 million in 1996, SEK 256.7 million in 1995, and negative SEK 29.0 million in 1994. Net cash provided by financing activities, consisting primarily of proceeds from the incurrence of long term debt net of repayments of long term debt and issue of new shares, was negative SEK 1,929.9 million in the nine months ended September 30, 1997 (as compared to negative SEK 244.0 million in the nine months ended September 30, 1996), negative SEK 440.6 million in 1996, SEK 73.7 million in 1995 and negative SEK 131.8 million in 1994.

In September 1997, Frontline entered into a short-term \$75 million credit facility (the Bridge Loan) for the purpose of financing the Offer. In addition, Frontline has guaranteed a \$100 million loan facility which will refinance the three Suezmax tankers owned by the Company, which facility will become a liability of the combined entity upon the effectiveness of the Amalgamation and Sale.

Frontline generally maintains high cash balances, in part to satisfy financial requirements under certain financing arrangements. After consummation of all of the transactions contemplated in the Amalgamation Agreement and taking into account anticipated cash flow from operations in the amount of \$16 million to be realized prior to such time, Frontline expects the resulting combined company to have cash balances of approximately \$135 million. Such cash is expected to be used in part to repay approximately \$73 million expected to be owing to the lenders on account of the Bridge Loan.

Approximately \$230 million of Frontline's current liabilities represent the current portion of its long term debt. Of this amount, \$56 million is the current portion of secured vessel-related debt.

Financial Statements and Supplementary Data

Required financial statements and supplementary data relating to Frontline are appended to this Joint Proxy Statement/Prospectus.

Directors and Executive Officers

Frontline's directors and executive officers are listed below:

<u>Directors and Executive Officers of Frontline</u>	<u>Age</u>	<u>Position</u>
John Fredriksen	53	Chairman and Chief Executive Officer
Tor Olav Trøim	34	Deputy Chairman and Chief Executive Officer of Frontline Management
Kenneth Douglas	41	Director
Timothy J. Counsell	39	Director
Tom E. Jebsen	40	Chief Financial Officer of Frontline Management
Kate Blankenship	33	Secretary

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

John Fredriksen has served as Chairman of the Board and Chief Executive Officer of Frontline since July 1997 and a Director of Frontline since July 1996. Mr. Fredriksen is Chairman and Chief Executive Officer and a director of the Company and has served for over five years as a director of Sea Tankers. Mr. Fredriksen indirectly controls Frontline's Principal Shareholder, which, as of April 6, 1998, beneficially owns 49.6% of the Frontline Ordinary Shares. Mr. Fredriksen is a citizen of Norway and a resident of Cyprus.

Tor Olav Trøim has served as Deputy Chairman of Frontline since July 4, 1997, and Director of Frontline since July 1, 1996. Mr. Trøim also serves as a director of Frontline AB, a wholly-owned subsidiary of Frontline, and is the Chief Executive Officer of Frontline Management, which company supports Frontline in the implementation of decisions made by the Board of Directors of Frontline. Mr. Trøim is Vice President and a director of the Company. Mr. Trøim also serves as a consultant to Sea Tankers. He is a director of Aktiv Inkasso ASA and Northern Offshore ASA, both Norwegian publicly listed companies. Prior to his service with Frontline from January 1992, Mr. Trøim served as Managing Director and a member of the Board of Directors of DNO AS, a Norwegian oil company. Mr. Trøim owns 26,000 Frontline Ordinary Shares and is a citizen of Norway.

Kenneth Stephen Alexander Douglas has been a non-executive director of Frontline since November 22, 1997, and has served as a director of the Company since November 3, 1997. He has been an attorney at Appleby, Spurling & Kempe since June 1997. Mr. Douglas was a Senior Solicitor, Corporate Finance, at Bank of Scotland from 1989 to June 1997. He is a citizen of the United Kingdom and a resident of Bermuda and owns no Frontline Ordinary Shares.

Tom E. Jebsen has served as Chief Financial Officer of Frontline Management since June 1997. From December 1995 until June 1997, Mr. Jebsen served as Chief Financial Officer of Tschudi & Eitzen Shipping ASA, a publicly traded Norwegian shipowning company. Prior to December 1995, Mr. Jebsen served as Vice President of Dyno Industrier ASA, a publicly traded Norwegian explosives producer from 1991. Mr. Jebsen does not own any ordinary shares of Frontline. Mr. Jebsen is a citizen of Norway.

Kate Blankenship has served as Secretary of Frontline since February 2, 1998. Mrs. Blankenship is also Group Financial Controller and Secretary of the Company. Prior to joining the Company in 1994, she was a Manager with KPMG Peat Marwick in Bermuda. She is a member of the Institute of Chartered Accountants in England and Wales.

Ownership of Frontline Ordinary Shares

Each Frontline Ordinary Share is entitled to one vote and such shares are the only class of securities of Frontline currently entitled to vote at the Annual Meeting. There are 3,118 holders of record of Frontline's Ordinary shares and as of April 6, 1998, there were 136,701,507 Frontline Ordinary Shares outstanding.

The following table sets forth the share ownership of the principal holders of the outstanding Frontline Ordinary Shares as of April 6, 1998, to the extent known by the persons on whose behalf the Joint Proxy Solicitation is being made.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership of Shares</u>	<u>Percent of Class</u>
Frontline Ordinary Shares	Hemen Holding Ltd.(1) c/o Frontline Ltd. Mercury House 101 Front Street Hamilton, Bermuda	67,817,000	49.6%

(1) Hemen Holding Ltd. is a Cyprus holding company controlled by Mr. John Fredriksen.

Compensation of Directors and Officers

During the fiscal year ended December 31, 1996, Frontline paid its Directors and officers aggregate cash compensation of \$999,708.07.

Certain Relationships and Related Transactions

In September 1997, Frontline agreed with Greenwich Holdings Ltd., a company indirectly controlled by John Fredriksen, Frontline's Chairman and Chief Executive Officer, and Frontline's Principal Shareholder, to purchase the Suezmax tanker SEA SPIRIT (renamed FRONT SPIRIT). The vessel was built in 1993 and totals 147,000 dwt. The purchase price of \$41.7 million is \$1 million less than the average value of the vessel as quoted by three independent appraisers. The vessel acquisition was financed by the issuance of 3,000,000 Frontline Ordinary Shares valued at NOK 35 per share, plus the transfer of the vessel's indebtedness secured by a mortgage to

Frontline. As of November 5, 1997, 3,000,000 Frontline Ordinary Shares were assigned and issued to Frontline's Principal Shareholder.

In connection with the execution of the Amalgamation Agreement, the Company and Frontline's Principal Shareholder executed a shareholder agreement (the "Shareholder Agreement") dated as of September 19, 1997. Pursuant to the Shareholder Agreement, Frontline's Principal Shareholder agreed (1) to vote its Frontline Ordinary Shares in favor of the Amalgamation and the other transactions contemplated by the Amalgamation Agreement, and (2) to cause Frontline to vote its LOF Ordinary Shares in favor of the increase in the authorized share capital of the Company and the issuance of LOF Ordinary Shares and New Warrants in connection with the Amalgamation and the other transactions contemplated by the Amalgamation Agreement.

In anticipation of the consummation of the transactions contemplated by the Amalgamation Agreement, Mr. Tor Olav Trøim, the Deputy Chairman and Chief Executive Officer of Frontline Management, and Mr. Miles Kulukundis, the former President and Chief Executive Officer of the Company, agreed in principle to explore the sale by the Company of three of the Panamax tankers presently owned by the Company. On October 29, 1997, the Company entered into agreements to sell such vessels for delivery in December, 1997. See "Information Concerning the Company - Business of the Company - The Company" elsewhere herein.

In connection with the formation of Frontline in April 1997 and the listing of Frontline Ordinary Shares on the Oslo Stock Exchange in July 1997, Frontline Management has leased office space in Oslo, Norway at market rates from Sea Shipping AS, a company controlled by Frontline's Principal Shareholder.

During 1997 and January 1998, Frontline acquired contracts for the construction and purchase of five Suezmax tankers at the Hyundai Heavy Industries Co. Ltd. shipyard in South Korea for delivery in 1998 from single-ship owning companies controlled by Frontline's Principal Shareholder (the "Suezmax Newbuilding Companies"). Frontline acquired the contracts in consideration of the progress payments paid to that date by the Suezmax Newbuilding Companies.

In addition, Frontline has received options from companies controlled by Frontline's Principal Shareholder to assume four contracts for the construction and purchase of four VLCCs to be built by Hyundai Heavy Industries Co. Ltd. in South Korea at a price of \$81.5 million per vessel. No additional consideration in excess of the newbuilding contract prices is payable by Frontline upon exercise of such options. These options to assume these contracts have been extended to March 31, 1998.

Previously, Frontline had entered into an accounting agreement with Seabridge, a company owned by ICB, pursuant to which Seabridge agreed to provide financial services to Frontline single-ship subsidiaries. It expired December 31, 1997.

During 1997, Frontline's Principal shareholder purchased from Latsis, a Greek shipowning family, two VLCCs and four ULCCs. Frontline Management may enter into technical supervision agreements and commercial management agreements in respect of these vessels at market rates.

In addition, Frontline Management will enter into agreements for the technical management of FRIENDSHIP, a VLCC, and the tankers NORTHERN SNOW, NORTHERN ICE and NORTHERN LIGHTS I, and for the commercial management of FRIENDSHIP, each owned by a company controlled by Frontline's Principal Shareholder.

During 1996, Frontline AB purchased seven tankers from companies controlled by Frontline's Principal Shareholder.

LEGAL MATTERS

Certain legal matters in connection with the Amalgamation and Sale will be passed upon for the Company by Conyers & Dill & Pearman, as special Bermuda counsel to the Company, and for Frontline, by Appleby Spurling & Kempe, as special Bermuda counsel to Frontline. Seward & Kissel has rendered its opinion as to certain United States federal income tax consequences of the Amalgamation and Sale and the ownership and disposition of ADSs. See "Summary - Certain United States Federal Income Tax Consequences," "The Amalgamation and Sale - Certain United States Federal Income Tax Consequences" and "Information Concerning the Company - Taxation" elsewhere herein.

EXPERTS

The consolidated financial statements of Frontline as of December 31, 1996, and for each of the three years in the period ended December 31, 1996, included in this Joint Proxy Statement/Prospectus and elsewhere in the Registration Statement have been examined by Coopers & Lybrand ANS, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of such firm as experts in giving such report.

The consolidated financial statements of the Company as of March 31, 1997 and 1996, and for each of the years in the three-year period ended March 31, 1997, have been included in this Joint Proxy Statement/Prospectus and elsewhere in the Registration Statement in reliance upon the reports of KPMG Peat Marwick and Moore Stephens & Butterfield, independent public accountants, appearing elsewhere herein, and upon the authority of such firms as experts in accounting and auditing.

SOLICITATION OF PROXIES

The Company will bear the cost of the solicitation of proxies from its shareholders. Frontline will bear the cost of the solicitation of proxies from its shareholders. In addition to solicitation of proxies by use of the mails, proxies may also be solicited by telephone, telegraph or personal interviews by Directors, officers and employees of the Company or Frontline, as the case may be, none of whom will receive any additional or special compensation therefor. The Company and Frontline will reimburse their respective brokerage houses and other custodians, fiduciaries and nominees for their reasonable expenses of forwarding proxy solicitation materials to their principals.

OTHER MATTERS

Neither the management of Frontline nor the Company is aware of any other matters to be presented at its Special General Meeting. However, if any other matters properly come before the Special General Meetings, the persons named in this Joint Proxy Statement/Prospectus will take such action as in their judgment they may deem advisable.

By Order of the Board of Directors of the Company,

John Fredriksen
Chairman and Chief Executive Officer

April 10, 1998

Provisions of Bermuda Companies Act of 1981

Section 106.

(1) The directors of each amalgamating company shall submit the amalgamation agreement for approval to a meeting of the holders of shares of the amalgamating company of which they are directors and, subject to subsection (4), to the holders of each class of such shares.

(2) A notice of a meeting of shareholders complying with section 75 shall be sent in accordance with that section to each shareholder of each amalgamating company, and shall --

- (a) include or be accompanied by a copy or summary of the amalgamating agreement; and
- (b) subject to subsection (2A), state --
 - (i) the fair value of the shares as determined by each amalgamating company; and
 - (ii) that a dissenting shareholder is entitled to be paid the fair value of his shares.

(2A) Notwithstanding subsection (2)(b)(ii), failure to state the matter referred to in that subsection does not invalidate an amalgamation.

(3) Each share of an amalgamating company carries the right to vote in respect of an amalgamation whether or not it otherwise carries the right to vote.

(4) The holders of shares of a class of shares of an amalgamating company are entitled to vote separately as a class in respect of an amalgamation if the amalgamation agreement contains a provision which would constitute a variation of the rights attaching to any such class of shares for the purposes of section 47.

(4A) The provisions of the Bye-Laws of the company relating to the holding of general meetings shall apply to general meetings and class meetings required by this section provided that, unless the Bye-Laws otherwise provide, the resolution of the shareholders or class must be approved by a majority vote of three-fourths of those voting at such meeting and the quorum necessary for such meeting shall be two persons at least holding or representing by proxy more than one-third of the issued shares of the company or the class, as the case may be, and that any holder of shares present in person or by proxy may demand a poll.

(5) An amalgamation agreement shall be deemed to have been adopted when it has been approved by the shareholders as provided in this section.

(6) Any shareholder who did not vote in favor of the amalgamation and who is not satisfied that he has been offered fair value for his shares may within one month of the giving of the notice referred to in subsection (2) apply to the Court to appraise the fair value of his shares.

(6A) Subject to subsection (6B), within one month of the Court appraising the fair value of any shares under subsection (6) the company shall be entitled either

- (a) to pay to the dissenting shareholder an amount equal to the value of his shares as appraised by the Court; or
- (b) to terminate the amalgamation in accordance with subsection (7).

(6B) Where the Court has appraised any shares under subsection (6) and the amalgamation has proceeded prior to the appraisal then, within one month of the Court appraising the value of the shares, if the amount paid to the dissenting shareholder for his shares is less than that appraised by the Court the Amalgamated Company shall pay to such shareholder the difference between the amount paid to him and the value appraised by the Court.

(6C) No appeal shall lie from an appraisal by the Court under this section.

(6D) The costs of any application to the Court under this section shall be in the discretion of the Court.

(7) An amalgamation agreement may provide that at any time before the issue of a certificate of amalgamation the agreement may be terminated by the directors of an amalgamating company, notwithstanding approval of the agreement by the shareholders of all or any of the amalgamating companies.

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To the Board of Directors of Frontline AB and Subsidiaries:

We have audited the consolidated balance sheets of Frontline AB and Subsidiaries (as described in Note 1) as of December 31, 1994, 1995 and 1996 and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statement based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Sweden and the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of materials misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frontline AB and Subsidiaries as of December 31, 1994, 1995 and 1996 and its consolidated results of operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in Sweden.

Generally accepted accounting principles in Sweden vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected net income for each of the years in the two-year period ended December 31, 1996 and shareholder's equity as of December 31, 1995 and 1996, to the extent summarized in Note 17 to the consolidated financial statements.

Oslo, Norway
September 18, 1997,
except as to the
information
presented in
Notes 16 and 17,
for which the
date is
March 16, 1998

Per Hanstad State Authorized Accountant
Coopers & Lybrand ANS

To the Board of Directors of Frontline AB and Subsidiaries:

We have audited the consolidated balance sheets of Frontline AB and Subsidiaries (as described in Note 1) as of December 31, 1994, 1995 and 1996 and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Sweden and the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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Generally accepted accounting principles in Sweden vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected net income for each of the years in the two-year period ended December 31, 1996 and shareholder's equity as of December 31, 1995 and 1996, to the extent summarized in Note 17 to the consolidated financial statements.

Oslo, Norway
September 18, 1997,
except as to the information presented in Notes 16 and 17, for which the date is January 30, 1998

Per Hanstad State Authorized Accountant
Coopers & Lybrand ANS

Frontline AB and Subsidiaries
Consolidated Statements of Operations

(in thousands of SEK, unless otherwise stated)

	For the years ended December 31,		
	1996 SEK	1995 SEK	1994 SEK
Revenue	1,221,943	1,443,589	1,265,673
Voyage expenses	(455,174)	(448,848)	(421,967)
Net voyage revenues	766,769	994,741	843,706
Operating expenses:			
Ship operating expenses	(216,595)	(196,528)	(190,710)
Chartered tonnage expenses	(263,040)	(349,663)	(372,091)
Depreciation	(222,915)	(218,089)	(210,886)
Administrative expenses	(54,835)	(46,780)	(43,723)
Gain on sale of ships	40,933		
Writedown of ship purchase option			(22,972)
Operating income	50,317	183,681	3,324
Financial items:			
Interest income	22,922	29,144	25,112
Interest expense	(171,918)	(189,886)	(192,413)
Foreign exchange (losses) gains	302	(3,316)	(1,369)
Other financial items, net	1,599	(101)	418
(Loss) income before taxes	(96,778)	19,522	(164,928)
Provision for income taxes	(92)	(40)	(73)
Net (loss) income	(96,870)	19,482	(165,001)
Per share amounts:			
Net (loss) income	(2.07)	0.45	(3.82)
Net (loss) income, fully diluted	(1.47)	0.78	(2.96)

See accompanying notes to consolidated financial statements

Frontline AB and Subsidiaries
Consolidated Balance Sheets

(in thousands of SEK, unless otherwise stated)

	As of December 31,		
	1996	1995	1994
	SEK	SEK	SEK
ASSETS			
Current assets:			
Cash and cash equivalents	397,466	452,136	506,933
Marketable securities	23	35,201	34,970
Other receivables	79,763	93,010	62,613
Inventories	32,574	17,357	17,077
Voyages in progress	67,304	32,325	50,388
Prepaid expenses and accrued income	20,036	28,884	32,450
Total current assets	597,166	658,913	704,431
Long term assets:			
Ships and equipment, net	5,665,684	2,909,250	3,191,526
Ship purchase options	22,680	52,985	83,663
Investments in associated companies	349	349	5,257
Intangible assets	4,200	4,200	1,170
Deferred charges on loans	6,777		
TOTAL ASSETS	6,296,856	3,625,697	3,986,047

See accompanying notes to consolidated financial statements

Frontline AB and Subsidiaries
Consolidated Balance Sheets

(in thousands of SEK, unless otherwise stated)

	As of December 31,		
	1996	1995	1994
	SEK	SEK	SEK
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long term debt	351,975	205,617	169,413
Accounts payable	27,411	6,514	14,751
Accrued expenses and other liabilities	192,158	171,174	216,017
Total current liabilities	571,544	383,305	400,181
Long term liabilities:			
Long term debt	3,465,078	2,126,115	2,344,146
Total long term liabilities	3,465,078	2,126,115	2,344,146
Shareholders' equity:			
Share capital	1,193,250	865,000	865,000
Non-cash issue of shares	836,092		
Restricted reserves	403,858	552,648	620,402
Total restricted equity	2,433,200	1,417,648	1,485,402
Accumulated losses	(76,096)	(320,853)	(78,681)
Net (loss) income for the year	(96,870)	19,482	(165,001)
Total unrestricted equity	(172,966)	(301,371)	(243,682)
Total shareholders' equity	2,260,234	1,116,277	1,241,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,296,856	3,625,697	3,986,047
Assets pledged	3,700,000	2,439,935	2,597,206
Contingent liabilities		120	120
Other contractual commitments	93,000	353,000	566,000

See accompanying notes to consolidated financial statements

Frontline AB and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands of SEK, unless otherwise stated)

	For the years ended December 31,		
	1996 SEK	1995 SEK	1994 SEK
Net (loss) income	(96,870)	19,482	(165,001)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	222,915	218,089	210,886
Writedown of ship purchase option			22,972
Amortization of deferred charges and other assets	93		
(Gain) from sale of fixed assets	(40,933)		
(Gain) loss from sale of investments		18	(3,243)
Unrealized foreign currency transactions losses (gains) on non-operating activities	(904)	5,708	22,242
Changes in operating assets and liabilities:			
Other receivables	12,567	(29,017)	5,695
Inventories	(15,709)	31	(5,920)
Voyages in progress	(35,814)	18,115	(1,865)
Prepaid expenses and accrued income	8,558	5,215	(8,446)
Accounts payable	20,483	(7,893)	5,326
Income taxes payable	58	(40)	(108)
Accrued expenses and other liabilities	20,311	(42,801)	20,544
Net cash provided by operating activities	94,755	186,907	103,082
Cash flows from investing activities:			
Purchase of ships and equipment	(437)	(260,962)	(658)
Purchase of other investments		(5,550)	300
Proceeds from sale of ships and equipment	242,620		
Net sales (purchases) of marketable securities	35,178	(231)	15,321
Proceeds from sale of other investments		5,040	14,098
Net cash provided by (used in) in investing activities	277,361	(261,703)	29,061
Cash flows from financing activities:			
Proceeds from issuances of long-term debt	165,120	267,370	
Payments on long-term debt	(605,771)	(193,633)	(131,827)
Proceeds related to conversion of debenture loan	10		
Net cash (used in) provided by financing activities	(440,641)	73,737	(131,827)
Effect of exchange rate changes on cash and cash equivalents	13,855	(53,738)	(59,051)
Net decrease in cash and cash equivalents	(54,670)	(54,797)	(58,735)
Cash and cash equivalents at the beginning of the year	452,136	506,933	565,668
Cash and cash equivalents at the end of the year	397,466	452,136	506,933

See accompanying notes to consolidated financial statements

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

1. Basis of Presentation

In the notes to the financial statements, references to the "Company" or "Frontline" are to Frontline AB and its subsidiaries, if not otherwise stated. Frontline AB was founded in 1985, listed on the Stockholm Stock Exchange in 1989 and was the Sweden based parent company until June 1997. Commencing in June 1997, over 99% of the shares of Frontline AB were exchanged for the shares of Frontline Ltd., with Frontline Ltd. becoming the new parent. Accordingly, Frontline AB is the predecessor of Frontline Ltd. and references herein to the "Company" or "Frontline" include Frontline Ltd. Frontline Ltd. is a holding company established in Bermuda in April 1997.

Frontline is an international tanker shipping company. The Company operates through subsidiaries and partnerships located in Sweden, Norway, Singapore, Liberia and Panama. The Company is also involved in the charter, purchase and sale of vessels.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Sweden ("Swedish GAAP"). These accounting principles differ in certain significant respects from accounting principles generally accepted in the United States ("U.S. GAAP"). See Note 17 for a reconciliation of the principal differences between Swedish GAAP and U.S. GAAP affecting Frontline's net income (loss) and shareholders' equity.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

(a) Principles of consolidation

The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All subsidiaries are wholly owned. Material intercompany balances and transactions have been eliminated in consolidation.

Investments in companies in which Frontline directly or indirectly holds more than 50 percent of the voting control are consolidated. Investments in companies where Frontline has significant influence (i.e. 20-50 percent ownership), but not voting control, are accounted for using the historical cost method. Investments in partnerships are recorded using the proportional consolidation method.

(b) Foreign currency translation

The Company's functional currency is the U.S. dollar, as almost all revenues are denominated in U.S. dollars and a majority of the Company's expenditures are incurred in U.S. dollars. The Company reports in Swedish kronor, as required by the Swedish Companies Act.

Most of the Company's subsidiaries report in U.S. dollars. The Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate and the assets

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and liabilities are translated using the year-end exchange rate. Translation gains and losses are recorded as a separate component of shareholders' equity.

(c) Cash and cash equivalents

Cash equivalents include all highly liquid, low risk investments with an original maturity of three months or less.

(d) Revenue recognition

Revenues and expenses are recognized on the accrual basis. Time charter revenues are recorded on a daily accrual basis. Voyage charter revenues are recorded on the percentage of completion basis. Estimated losses on voyages are provided for in full at the time such losses become evident.

(e) Marketable securities

The Company's investments in marketable securities are carried at the lower of cost or market value on the balance sheet date.

(f) Inventories

Inventories, which comprise fuel and spare parts, are valued at the lower of cost or market value. Cost is determined on a first in, first out basis.

(g) Vessels and equipment

The cost of the vessels less estimated salvage values is depreciated on a straight line basis over the vessels' remaining economic useful lives. The economic useful life of a vessel is estimated at 20 years from the date of construction. Other equipment is depreciated over its estimated residual life, which approximates five years. Vessels and equipment held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In this connection, the Company obtains fair value assessments on its vessels from independent ship brokers on a quarterly basis. If such fair value assessments suggest that the carrying amount of a vessel exceeds its fair value, the Company evaluates such asset for potential impairment by considering the expected future cash flows. If the estimated future cash flows suggest that the carrying amount of the asset is not recoverable, the carrying amount is written down to the estimated fair value.

(h) Ship purchase options

The cost of the ship purchase options is amortized over the estimated remaining service life of the vessels. In the event of permanent decline in value, ship purchase options are written down to their net realizable value.

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Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

(i) Dry-docking provision

Normal vessel repair and maintenance costs are charged to expense when incurred. Provisions for future dry-docking costs, including major vessel overhaul costs to be incurred during periodic inspections for regulatory and insurance purposes, are accrued and charged to expense on a pro rata basis over the period to the next dry-docking. Such provisions are based on estimates made by management of the expected total cost and length of time between dry-dockings.

(j) Derivatives

The Company enters into interest rate swap transactions from time to time to hedge a portion of its exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the underlying instrument without the physical transfer of the underlying instrument. The unrealized gain (loss) is accrued as interest rates change and recognized as an adjustment to interest expense.

(k) Income taxes

The provision for income taxes includes Swedish and foreign income taxes currently payable.

Net operating loss carryforwards and other temporary differences are recognized as deferred tax assets only to the extent to which they can be offset by deferred tax liabilities. Net operating loss carryforwards are recognized when utilized.

(l) Per share amounts

Net income (loss) per share is calculated by dividing net income by the weighted average number of shares outstanding during each period.

Fully diluted net income (loss) per share is calculated by dividing the net income (loss) by the weighted average number of shares outstanding after full dilution, adjusted for the interest paid on the convertible debentures.

3. Related Party Transaction

During 1996, the Company entered into a transaction with a related party to acquire ship owning companies in exchange for shares in Frontline AB. The Company acquired six tankers in exchange for issuance of 44,300,000 shares in Frontline AB to Hemen Holdings B.V. ("Hemen"), its main shareholder. The transaction with Hemen increased its ownership of the Company to 61.2 %. Management believes that such transaction with a related party was recorded under terms similar to those that would be arranged with other parties.

Frontline AB and Subsidiaries
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(in thousands of SEK, unless otherwise stated)

4. Income Taxes

	For the years ended December 31,		
	1996	1995	1994
Current tax	(92)	(40)	(73)
Deferred tax			
Total provision for income taxes	(92)	(40)	(73)

5. Other Receivables

	As of December 31,		
	1996	1995	1994
Freight receivables	28,295	42,259	17,990
Agent receivables	17,915	23,611	18,979
Partnership receivables	13,870	15,029	16,346
Other receivables	19,683	12,111	9,298
	79,763	93,010	62,613

Other receivables are presented net of allowances for doubtful accounts amounting to 2,176, 2,823 and 3,133 for the years ended December 31, 1994, 1995 and 1996 respectively.

6. Ships, Equipment, and Ship Purchase Options

	Ships and Equipment	Ship Purchase Options	Total
Cost:			
At January 1, 1994	4,433,140	176,904	4,610,044
Additions	658		658
Foreign currency translation	(450,802)	(18,475)	(469,277)
At December 31, 1994	3,982,996	158,429	4,141,425
Accumulated Depreciation:			
At January 1, 1994	(666,101)	(35,586)	(701,687)
Expense for the year	(190,296)	(20,590)	(210,886)
Writedown of ship purchase option		(22,972)	(22,972)
Foreign currency translation	64,927	4,382	69,309
At December 31, 1994	3,191,526	83,663	3,275,189

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(in thousands of SEK, unless otherwise stated)

Cost:			
At January 1, 1995	3,982,996	158,429	4,141,425
Additions	260,962		260,962
Foreign currency translation	(433,573)	(16,778)	(450,351)
At December 31, 1995	<u>3,810,385</u>	<u>141,651</u>	<u>3,952,036</u>
Accumulated Depreciation:			
At January 1, 1995	(791,470)	(74,766)	(866,236)
Expense for the year	(194,765)	(23,324)	(218,089)
Foreign currency translation	85,100	9,424	94,524
At December 31, 1995	<u>2,909,250</u>	<u>52,985</u>	<u>2,962,235</u>
Cost:			
At January 1, 1996	3,810,385	141,651	3,952,036
Additions	3,038,164		3,038,164
Disposals	(233,851)	(30,214)	(264,065)
Foreign currency translation	138,764	4,247	143,011
At December 31, 1996	<u>6,753,462</u>	<u>115,684</u>	<u>6,869,146</u>
Accumulated Depreciation:			
At January 1, 1996	(901,135)	(88,666)	(989,801)
Disposals	32,164	30,214	62,378
Expense for the year	(191,806)	(31,109)	(222,915)
Foreign currency translation	(27,001)	(3,443)	(30,444)
At December 31, 1996	<u>5,665,684</u>	<u>22,680</u>	<u>5,688,364</u>

For the years ended December 31, 1994, 1995 and 1996, equipment balances were 2,046, 2,383 and 1,730, respectively. Maintenance and repair expenditures of 35,103, 30,718 and 39,482 for the years ended December 31, 1994, 1995, and 1996, respectively, were expensed as incurred in the accompanying statements of operations.

Frontline AB and Subsidiaries
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(in thousands of SEK, unless otherwise stated)

7. Leases

Rental Expense

The following is a schedule of future minimum lease payments required under the Company's non-cancellable operating leases that have terms in excess of one year as of December 31, 1996:

	Operating Leases
1997	36,000
1998	35,000
After 1999	
Total minimum lease payments	71,000

Total rental expense for operating leases was 178,430, 95,713 and 50,273 for the years ended December 31, 1994, 1995 and 1996, respectively.

Rental income

Time charter arrangements of the Company's vessels are accounted for as operating leases. The minimum future revenues to be received on time charters as of December 31, 1996 are as follows:

1997	67,587
1998	68,838
1999	70,095
2000	71,551
2001	64,722
Total	342,793

The carrying amount of the vessels currently under lease to a third party customer as of December 31, 1994, 1995 and 1996 was as follows:

	As of December 31,		
	1996	1995	1994
Cost	372,726	361,875	404,737
Accumulated depreciation	(99,518)	(79,677)	(70,126)
	273,208	282,198	334,611

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The rental income for the operating leases was SEK 71,569, 65,512 and 57,500 for the years ended December 31, 1994, 1995 and 1996, respectively.

8. Long-Term Debt

Long-term debt consists of the following:

	As of December 31,		
	1996	1995	1994
Promissory Notes			
LIBOR + 0.75% due 1997-2006		213,500	
LIBOR + 0.89% due 1997-2006	460,290	491,582	599,782
LIBOR + 1.08% due 1997-2011	260,356		
LIBOR + 1.25% due 1997-2006	2,885,399		
LIBOR + 1.75% due 1997-2001		1,111,827	1,339,778
LIBOR + 2.00% due 1997-2001		303,798	362,974
Total promissory notes	3,606,045	2,120,707	2,302,534
Convertible debenture loan	211,008	211,025	211,025
Total debt	3,817,053	2,331,732	2,513,559
Less: current portion	(351,975)	(205,617)	(169,413)
	3,465,078	2,126,115	2,344,146

The promissory notes are collateralized by ship mortgages and pledges of shares by each guarantor subsidiary. The Company also has debt covenants which restrict equity distributions to shareholders. These debt covenants require the Company to maintain certain cash levels, which amounted to 19,906 and collateralized 37,897 in loans as of December 31, 1996.

The number of outstanding convertible debenture share certificates in the Company amounted to 21,102,503, 21,102,503 and 21,100,753 as of December 31, 1994, 1995 and 1996, respectively. The face value of each certificate is SEK 10. The loan maturity is August 24, 1999. The conversion period is June 25, 1992 to July 30, 1999. The debenture certificates may be converted into a maximum of 6,028,786 shares. The conversion price is SEK 35 per share. Annual interest of 9 percent is payable annually on June 24 and on the maturity date. During 1996, debenture certificates were converted into 500 shares.

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Long-term debt maturities for the five years subsequent to December 31, 1996, are as follows:

1997	351,975
1998	351,923
1999	351,923
2000	351,923
2001	351,923
2002 and thereafter	<u>1,846,378</u>
Total	<u>3,606,045</u>

To partially hedge the Company's floating interest rate (LIBOR) exposure, the Company has entered into an interest rate swap agreement which swaps US\$27.45 million (182,551) to 6.93% until May 21, 1999.

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

9. Shareholders' Equity

	Outstanding Number of Shares	Share Capital (nominal value SEK 20 per share)	Non-cash Share Issues	Restricted Reserves	Translation Difference Restricted Reserves	Unrestricted Reserves	Translation Difference Unrestricted Reserves	Net Income (Loss)
Balance, Jan. 1, 1994	43,250,000	865,000		665,129	4,892	51,799	323,653	(332,225)
Transferred from prior year's								
Earnings to unrestricted reserves						(332,225)		332,225
Changes in Group structure						5,570	(5,539)	
Transfer between restricted and Unrestricted equity				(47,622)		47,622		
Translation differences					(1,997)		(169,561)	
Net loss								(165,001)
Closing balance, Dec. 31, 1994	43,250,000	865,000		617,507	2,895	(227,234)	148,553	(165,001)
Transferred from prior year's								
Earnings to unrestricted reserves						(165,001)		165,001
Changes in Group structure						37		
Transfer between restricted and Unrestricted equity				(65,887)		65,887		
Translation differences					(1,867)	9,460	(152,555)	
Net income								19,482
Closing balance, Dec. 31, 1995	43,250,000	865,000		551,620	1,028	(316,851)	(4,002)	19,482
Transferred from prior year's								
Earnings to unrestricted reserves						19,482		(19,482)
Non-cash issuances	55,300,000	328,240	836,092	24,618				
Conversion of debenture loan	500	10		7				
Changes in Group structure						1,265	(1,265)	
Transfer between restricted and Unrestricted equity				(193,938)		193,938		
Translation differences					20,523	37,671	(6,334)	
Net loss								(96,870)
Closing balance, Dec. 31, 1996	98,550,500	1,193,250	836,092	382,307	21,551	(64,495)	(11,601)	(96,870)

During the year ended December 31, 1996, the Company acquired ships in exchange for shares of Frontline AB. The amount reported as non-cash share issuances of 836,092, represents shares that had not yet been registered with the Swedish Patent and Registration Office. When the shares were registered and issued in January 1997, 777,760 was recorded as share capital (par value 20 SEK) and 58,332 was recorded as restricted reserves.

The Company has entered into call option agreements with two of its shareholders, BTL and Goldtec, whereby until October 31, 1997, the Company may order the sale of up to 2,225,000 of its shares each from BTL and Goldtec to any buyer that the Company may advise. In addition, BTL and Goldtec entered into put option agreements with the Company to sell 1,112,500 shares each of Frontline Ltd. at the same exercise price as in the call agreements. Any positive difference between the sales price received for these shares in the market and the minimum exercise price (SEK 22.20 per share plus 5.8 percent annual interest) paid to BTL and Goldtec will result in additional cash to the Company.

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10. Accrued Expenses and Other Liabilities

	As of December 31,		
	1996	1995	1994
Voyage expenses	74,741	65,803	83,772
Dry docking provisions	54,447	36,582	38,208
Accrued interest expense	30,490	41,769	56,239
Deferred revenue	7,023	17,392	21,347
Accrued ship operating expenses	10,542	2,383	6,652
Administration accruals	7,784	3,053	4,640
Income taxes	94	36	157
Other	7,037	4,156	5,002
	192,158	171,174	216,017

Activity related to the provisions for drydocking account is presented below for the years ended December 31, 1995 and 1996:

Description	Balance at beginning of period	Charge to costs and expenses			Reserves assumed with acquisitions	Balance at end of period
		Accrual	Decrease due to actual	Translations- adjustment		
Provisions for drydocking:						
Year ended 12/31/95	38,208	27,330	(25,287)	(3,669)	0	36,582
Year ended 12/31/96	36,582	35,250	(37,419)	1,043	18,991	54,447

11. Pension Plans

Pension obligations for most employees are covered through the ITP-plan, which is a fully insured pension scheme for salaried employees. The plan is managed by SPP, the largest pension insurance company in Sweden. Pension premiums are determined based on actuarial assumptions, calculated by SPP, which are invoiced in full to the Company. In addition, the Company has a similar plan for its employees in Singapore. Finally, the Company has individual agreements with other insurance companies for certain employees. All premium payments represent the Company's full obligation and are expensed as incurred.

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12. Contingencies and Commitments

Ship Purchase Options

Under agreements with the Company's largest shareholder, Hemen, Frontline received options to assume new building contracts for the construction and purchase of two Suezmax tankers. These options originally expired in June 1997, but were extended to September 1997. The vessels are to be built by the Hyundai shipyard in South Korea during 1998.

Assets pledged

	As of December 31,		
	1996	1995	1994
Ship mortgages	3,606,046	2,189,863	2,372,902
Chattel mortgages and other assets pledged	74,048	175,768	141,797
Restricted bank deposits	19,906	74,304	82,507
	3,700,000	2,439,935	2,597,206

Other Contractual Commitments

When new building contracts were executed for the tankers Front Melody, which was sold in 1992, and Front Rhapsody, which was sold in 1993, Frontline also signed an agreement to finance a peseta denominated loan in a foreign bank. Under the agreements, the Company was required to make peseta-denominated deposits in the same bank. Such deposits are being used to fulfill the payment commitments on the loan agreements. In addition, the deposits carry a higher interest rate than that of the loans. The balance of the deposits was 50,000, 35,000 and 22,000 as of December 31, 1994, 1995, and 1996, respectively. These amounts are reported as contractual commitments, since the Company's only risk is the interest rate gap between loans and deposits. The loan agreements specify assignment of future operating revenue of vessels for the benefit of the lender. The assignment applies only in case of default under the loan agreements.

As of December 31, 1994, 1995 and 1996 the Company had future non-cancellable rental expense beyond one year amounting to 516,000, 318,000 and 71,000, respectively.

13. Financial Instruments and Related Disclosures

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for trading purposes. The counterparties to such contracts were Citibank in 1995 and Skandinaviska Enskilda Banken in 1996. The Company does not believe it is exposed to any material concentrations of credit risk.

Interest Rate Risk Management

The Company manages its debt portfolio with interest rate swap agreements in U.S. Dollars to achieve an overall desired position of fixed and floating interest rates. Under an interest rate swap, the Company agrees with the counterparty to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts based on an agreed upon notional principal amount, without the physical transfer of the

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underlying notional principal amounts. The net payments or receipts from interest rate swaps are recorded as part of interest expense and are not material.

As of December 31, 1994, 1995 and 1996, the Company had outstanding interest rate swap agreements to convert floating rates obligations to fixed rates on notional amounts of 264,240, 210,823, and 187,620, respectively. Average variable rates are based on rates implied in the yield curve at the reporting date; these rates may change significantly which may affect future cash flows.

Currency Risk

The majority of the Company's transactions, assets and liabilities are denominated in U.S. Dollars, the functional currency of the Company. As such, the Company's is exposed to exchange-rate fluctuations since the Company is required to report in Swedish kronor. Risks of two kinds arise as a result; a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Company's cash flows; and a translation risk, the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into Swedish kronor for Frontline's consolidated financial statements. Frontline has not entered into forward contracts for either transaction or translation risk, which may have an adverse effect on the Company's financial condition and results of operations.

Fair Value of Financial Instruments

The carrying value and estimated fair value of the Company's financial instruments at December 31, 1994, 1995 and 1996 are as follows:

	<u>As of December 31, 1996</u>		<u>As of December 31, 1995</u>		<u>As of December 31, 1994</u>	
	<u>Amount</u>	<u>Fair value</u>	<u>Amount</u>	<u>Fair value</u>	<u>Amount</u>	<u>Fair value</u>
<i>Assets:</i>						
Cash and cash equivalents	397,466	397,466	452,136	452,136	506,933	506,933
Marketable securities	23	189	35,201	35,907	34,970	34,970
<i>Liabilities:</i>						
Short-term loans	351,975	351,975	205,617	205,617	169,413	169,413
Long-term loans	3,254,070	3,254,070	1,915,090	1,915,090	2,133,121	2,133,121
Convertible debt	211,008	215,228	211,025	189,923	211,025	194,143

The carrying value of cash and cash equivalents is a reasonable estimate of fair value. The Company places its cash and cash equivalents, short-term deposits and interest bearing investments in high quality financial instruments with high credit quality financial institutions.

The estimated fair value of short-term investments and the convertible debt were based on the quoted market price of these or similar instruments when available. The estimated fair value for long-term debt was considered to be equal to the carrying value since the variable interest rates are reset on a quarterly basis.

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The following table includes significant customers, which comprise 10% or more of gross revenues:

	For the years ended December 31,		
	1996	1995	1994
Valero Refining and Marketing	239,460	188,435	253,152

14. Supplemental Financial Information

The Company's statements of cash flows are prepared in a format consistent with SFAS No. 95 "Statement of Cash Flows".

Cash paid for interest and income taxes was as follows:

	For the years ended December 31,		
	1996	1995	1994
Interest	180,587	171,281	179,995
Income taxes	40	73	155

During 1996, the Company issued shares of its stock to acquire ship owning companies with vessels and loans.

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15. Personnel and Salaries

		For the years ended December 31,					
		1996		1995		1994	
Average number of employees							
		24, of whom 5 are women		25, of whom 6 are women		28, of whom 6 are women	
Subsidiaries:		3, of whom 1 is a woman		3, of whom 1 is a woman		4, of whom 2 are women	
- Stockholm		5, of whom 4 are women		6, of whom 4 are women		6, of whom 4 are women	
- Singapore		<u>32, of whom 10 are women</u>		<u>34, of whom 11 are women</u>		<u>38, of whom 12 are women</u>	
Group total							
		For the years ended December 31,					
		1996		1995		1994	
Salaries and other remuneration for		Board of Directors and President	Other Employees	Board of Directors and President	Other Employees	Board of Directors and President	Other Employees
Parent company, Stockholm		3,411	10,126	3,211	9,854	2,858	10,121
Subsidiaries:							
- Stockholm			1,618		1,633		1,693
- Singapore		<u>1,301</u>	<u>1,936</u>	<u>1,598</u>	<u>1,963</u>	<u>1,384</u>	<u>1,929</u>
Group total		<u><u>4,712</u></u>	<u><u>13,680</u></u>	<u><u>4,809</u></u>	<u><u>13,450</u></u>	<u><u>4,242</u></u>	<u><u>13,743</u></u>

For each of the three years in the period ended December 31, 1996, salaries and other benefits paid to the Board of Directors totalled 400, 400, and 475, respectively, of which 100, 100 and 138 was paid to the Chairman of the Board for the respective periods. No other remuneration was paid to the Board. The president's remuneration was 1,660, 1,957, 1,949 for each of the three years in the period ended December 31, 1996.

Under an employment contract, the President has a notice period of six months or two years in case of termination, depending on whether termination is initiated by the Company. If he remains in service until age 55, he cannot be terminated. He is entitled to request retirement from age 60 at 70 percent of his previous compensation level.

16. Subsequent Events

In July 1997, Goldtec and BTL informed Frontline of its intention to exercise their put options on the Company's shares. Frontline thereafter placed the 1,112,500 shares each from Goldtec and BTL in the market at an average price of NOK 28.50 and 29.30, respectively, resulting in additional cash to the Company of approximately US \$2.1 million. In addition, in August 1997, Frontline exercised its remaining call agreement with BTL on 1,112,500 shares and subsequently placed these shares in the market, which resulted in additional cash to the Company of approximately US \$1.8 million. Finally, in September 1997, Frontline

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exercised its remaining call agreement with Goldtec on 1,112,500 shares and subsequently placed these shares in the market, which resulted in additional cash to the Company of approximately US \$2.6 million.

Commencing in June 1997, over 99% of the shareholders of Frontline AB, the predecessor parent company, exchanged their shares in Frontline AB for shares in Frontline Ltd. The ordinary shares of Frontline Ltd were thereafter listed on the Oslo Stock Exchange. The shares of the Company's predecessor had been listed on the Stockholm Stock Exchange.

In July of 1997, Frontline Ltd. acquired SEK 182,655,574 face value of convertible debentures previously issued by Frontline AB.

During the third quarter of 1997, the Company arranged a US \$4.35 million loan facility with Skandinaviska Enskilda Banken for the purchase of the vessel owning companies of the Forest Sovereign, Forest Trader and World Wood.

During 1997, the Company received additional options to assume five newbuilding contracts for the construction and purchase of one Suezmax tanker and ~~four~~ five VLCC tankers from Hemen. The vessels are scheduled for delivery during 1998 and 1999. During the third quarter of 1997, Frontline Ltd. exercised its outstanding ship purchase options on three Suezmax tankers. The Company issued 10,000,000 shares to four large institutional investors at NOK 28.15 per share in order to finance the exercise of these options. The number of outstanding shares of Frontline Ltd. thereby increased from 98,201,507 to 108,201,507. The options on the four VLCC tankers were originally to expire on September 30, 1997, but their expiration date was extended to March 31, 1998.

In September 1997, Frontline Ltd. announced an agreement with a party indirectly controlled by its Chairman to acquire the shares of Fourways Marine Limited (the "Fourways transaction"), the owner of the Suezmax Sea Spirit (built in 1993), in exchange for 3,000,000 Frontline shares at NOK 35 per share plus assumption of the company's debt. Operational control of the vessel was assumed on September 25. The share issuance to purchase Sea Spirit was valued and recorded at US \$41.7 million, which is US \$1 million less than the three independent appraisals of the vessel's fair market value.

In September 1997, Frontline Ltd. completed a share issuance of 21 million shares at NOK 35 per share (gross proceeds of NOK 735 million) to a syndicate led by two Scandinavian financial institutions. The number of outstanding shares of Frontline Ltd. was thereby increased from 108,201,507 to 129,201,507. The proceeds of this transaction constituted the equity financing for Frontline Ltd.'s offer for the shares of the Swedish shipping company ICB Shipping AB ("ICB").

On September 1, 1997, Frontline Ltd. announced its intention to submit an offer to acquire all the shares of ICB (see "The ICB Transaction"). The offer was modified several times, but the last version was an offer to acquire all of the shares in ICB in exchange for SEK 130 in cash for each of the A-shares and SEK 115 in cash for each of the B-shares. The total acquisition price ~~is~~ was estimated to be US \$423 million, which would be financed in large part by a US \$300 million loan facility with Chase Manhattan Bank ("Chase Manhattan"). Drawdown amounts are payable in full upon maturity, which is 364 days from the date of signing of the facility agreement. The annual interest rate is a LIBOR based rate. The US \$300 million finance facility is collateralized by pledges of the shares in ICB purchased by Frontline Ltd. During September and October, Frontline acquired ICB shares for an approximate purchase price of US \$215 million. Through the tender offer, Frontline acquired 51.7% of the outstanding shares of ICB. However, the shares purchased provide Frontline with only 31.4% of the ICB voting power, since 14,428,078 Class B shares and

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

148,663 Class A shares were acquired. In connection with the ICB transaction, actions taken by ICB Management subsequent to the announcement of the Frontline tender offer clearly reflect strong opposition to Frontline's ability to exercise significant influence. Accordingly, the Company recorded its investment in ICB using the cost method under Swedish GAAP and as an available-for-sale security in accordance with SFAS 115 under U.S. GAAP. On January 8, 1998, Frontline announced that it withdrew its bid for the shares of ICB.

In September 1997, Frontline agreed to guarantee a US \$100 million loan facility from Chase Manhattan to London & Overseas Freighters Ltd. ("LOF") for the long term financing of three Suemax tankers. There are a maximum of three drawdowns with the last drawdown date falling no later than ~~March 31~~ April 30, 1998. Two-thirds of the outstanding balance of the facility shall be repaid in 20 equal semi-annual installments on the straight-line method. The first installment shall fall due 6 months after the ~~last~~ first drawdown date. The remaining one-third of the outstanding balance is due ten years from the ~~last~~ first drawdown date. The annual interest rate is a LIBOR based rate. In addition, Frontline obtained from Chase Manhattan a US \$75 million short term acquisition loan to finance the purchase of shares in LOF. Drawdown in the amount of US \$73 million took place on October 31, 1997. US \$45 million is due to be repaid 6 months from drawdown, and US \$30 million is due to be repaid 46 months from drawdown. The annual interest rate is a LIBOR based rate. The combined US \$175 million finance facilities are collateralized by ship mortgages and pledges of shares in LOF.

During the third quarter of 1997, Frontline Ltd. executed a guarantee in favor of Nordbanken of the obligations of Frontline Finance SA under or in connection with a loan agreement dated December 30, 1996 between Frontline Finance SA and Nordbanken providing for a US \$10 million overdraft facility.

At Frontline Ltd.'s shareholders meeting in Bermuda on September 25, 1997, Frontline Ltd.'s authorized share capital was raised to US \$220,000,000 consisting of 220,000,000 ordinary shares of par value US \$1.00 each.

On September 25, 1997, Frontline issued 4.5 million shares in a private placement at NOK 38.25 per share to strengthen the equity base of the company in light of the ICB and LOF share acquisitions. This transaction, combined with the Fourways Transaction, increased the number of outstanding shares of Frontline Ltd. from 129,201,507 to 136,701,507.

On September 29 and December 31, 1997, shares in most of the single purpose shipowning companies which Frontline Ltd. had owned through its Swedish subsidiary Frontline AB were transferred to Frontline Ltd.

In December 1997, Frontline signed a loan agreement with Banque Paribas (Suisse) S.A. ("Paribas") which secured partial financing for the three Suezmax newbuildings to be delivered during the summer of 1998. Two of the vessels have a \$35 million loan in place, ~~while Paribas will attempt to secure similar financing for the third vessel at a later date.~~ In March 1998 Banque Paribas notified Frontline that it had sold the loans and transferred the agent function to Midland Bank which will attempt to secure similar financing for the third vessel at a later date.

On January 8, 1998, the company announced that it had entered into contracts to acquire the shares in two single purpose companies which each held one contract to build a Suezmax tanker from companies controlled by its principal shareholder. The vessels are to be built at Hyundai Heavy Industries Co. Ltd. in Korea to be delivered in January and March 2000. On March 16, 1998, Frontline announced its preliminary results for 1997. Frontline also announced that management had assessed the life expectancy of Frontline's fleet, and decided to change the depreciation schedule for the fleet from 20 to 25 years with effect from the fourth

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

quarter 1997. This reduced depreciation expense in the fourth quarter and for the full year ended December 31, 1997 by US \$3.6 million. Further, Frontline announced that its Board had decided to exercise Frontline's right to assume five newbuilding VLCC contracts from Frontline's major shareholder, Hemen Holding Ltd. The assumption of these contracts is subject to Frontline's securing sufficient financing. John Fredriksen did not participate in the Board's decision to assume these five contracts, due to his affiliation with Hemen Holding Ltd.

17. Summary of Significant Differences Between Swedish and U.S. Generally Accepted Accounting Principles

The consolidated financial statements of the Company have been prepared in accordance with Swedish GAAP. These accounting principles differ in certain significant respects from U.S. GAAP. The following is a summary of the estimated adjustments under U.S. GAAP that affect the Company's consolidated net income (loss) for the years ended December 31, 1995 and 1996, and total consolidated shareholders' equity as of December 31, 1995 and 1996.

	For the years ended December 31,	
	1996	1995
	SEK	SEK
Net income (loss) in accordance with Swedish GAAP	(96,870)	19,482
<i>Adjustments:</i>		
Vessel owning companies:		
Net loss	(28,616)	(22,800)
Amortization of ship purchase options	30,305	21,818
Net income (loss) in accordance with U.S. GAAP	(95,181)	18,500
Primary earnings per share in accordance with U.S. GAAP	(2.03)	0.43
Fully diluted earnings per share in accordance with U.S. GAAP	(1.44)	0.76

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

	As of December 31,	
	1996	1995
	SEK	SEK
	<hr/>	<hr/>
Shareholders' equity in accordance with Swedish GAAP	2,260,234	1,116,277
<i>Adjustments:</i>		
Marketable securities	166	706
Equity in vessel owning companies	13,447	42,063
Ship purchase options:		
At cost	(116,785)	(116,785)
Accumulated depreciation	94,105	63,800
	<hr/>	<hr/>
Shareholders' equity in accordance with U.S. GAAP	<u>2,251,167</u>	<u>1,106,061</u>

Following is a reconciliation as of the end of each reporting period for shareholders' equity using USGAAP.

	Swedish Equity	Mkt Sec	Vessels	<u>Ship options:</u>		US Equity
				Cost	Accumulated Depreciation	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
December 31, 1995	1,116,277	706	42,063	(116,785)	63,800	1,106,061
<u>Swedish Equity Reconciliation:</u>						
Net loss-Swedish GAAP	(96,870)					(96,870)
Non-cash issuances of shares	1,188,950					1,188,950
Debenture loan conversion	17					17
Translation Differences	51,860					51,860
Total Change in Equity (Swedish)	<u>1,143,957</u>					<u>1,143,957</u>
US GAAP Adjustments:						
Change in mark to market adjustment		(540)				
Net loss on vessel owning companies			(28,616)			(28,616)
Amortization Expense					30,305	30,305
Total Income Statement Effect US GAAP		<u>(540)</u>	<u>(28,616)</u>	<u>0</u>	<u>30,305</u>	<u>1,689</u>
December 31, 1996	<u>2,260,234</u>	<u>166</u>	<u>13,447</u>	<u>(116,785)</u>	<u>94,105</u>	<u>2,251,167</u>

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

Marketable Securities

Under Swedish GAAP, current marketable securities are carried at the lower of cost or market on the balance sheet date while non-current marketable securities are written down on the balance sheet for all other than temporary declines in market value.

Under U.S. GAAP, such investments, which qualify as available-for-sale securities, should be carried at fair value, with resulting unrealized gains and losses, net of deferred taxes, recorded as a separate component of shareholders' equity.

Vessel Owning Companies

In accordance with Swedish GAAP, the Company has not consolidated certain entities which account for the activities associated with certain vessels operating under time charter leases.

Under U.S. GAAP, the special purpose entities which owned such vessels were viewed as being, in substance, controlled by Frontline. Accounting for the vessel owning companies under U.S. GAAP would result in adjusting the Company's financial statements by the following amounts:

	As of December 31,	
	1996	1995
Current assets	(6,606)	(9,038)
Ships, gross	209,181	261,910
Accumulated depreciation on ships	(150,308)	(155,038)
Current liabilities	(14,700)	(13,561)
Long term debt	(24,120)	(42,210)
Equity	(13,447)	(42,063)
Gross revenue	21,072	15,088
Net loss	(28,616)	(22,800)

Ship purchase options

Under Swedish GAAP, the cost of ship purchase options has been recorded and amortized over the estimated remaining service life of the vessels.

Under U.S. GAAP, these ship purchase options are viewed as a portion of the acquisition cost of the related ships held by special purpose entities. Such entities would be consolidated under U.S. GAAP.

Deferred taxes on U.S. GAAP adjustments

Deferred taxes are calculated on the U.S. GAAP adjustments described above, where appropriate. The Company has recorded a full valuation allowance as they believe it is more likely than not that the net deferred tax assets will not be realized in future periods.

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

Accounting for income taxes

The Company records deferred tax assets only to the extent they can be offset against deferred tax liabilities. Temporary differences, which include net operating loss carry forwards, are generally not recognized as deferred tax assets and liabilities.

Under U.S. GAAP, deferred taxes resulting from temporary differences in financial and tax reporting (including net operating loss carry forwards) are recognized. A valuation allowance is recorded as a reduction of a deferred tax asset if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Temporary differences and carry forwards which give rise to deferred tax assets, liabilities and related valuation allowances were as follows:

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

	As of December 31,	
	1996	1995
Deferred tax liability - current		
Prepaid expenses	(609)	(58)
Deferred tax liability -non current		
Vessels	(13,169)	(33,914)
Deferred tax asset - current		
Accrued liabilities	2,887	664
Deferred tax asset - non-current		
Tax loss carry forwards	242,385	219,122
Valuation allowance	(231,494)	(185,814)
Net deferred tax asset (liability)	0	0

As of December 31, 1995 and 1996 the Company had 782,577 and 865,663 of net operating loss carry forwards. Of these amounts, 0 and 157,554 as of December 31, 1995 and 1996, respectively, can be utilized only against future taxable income for the respective subsidiary. These net operating losses do not have an expiration date. The Company's deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Partnerships

The information below represents the pro rata accounts for the partnerships which are proportionally consolidated in accordance with Swedish GAAP. Accounting for partnerships under U.S. GAAP would require the application of the equity method.

	As of and for the years ended December 31,	
	1996	1995
<i>Pro Rata Information:</i>		
Current assets	13,940	15,029
Current liabilities	(10,378)	(12,686)
Non-current assets	10,351	11,499
Non-current liabilities	(13,793)	(13,792)
Gross operating revenues	49,629	53,769
Net income	23,245	28,394
 <i>Summarized Cash Flow Information:</i>		
Net cash provided by operating activities	28,207	32,336
Net cash used in investing activities	(903)	(1,206)
Net cash used in financing activities	(27,304)	(31,130)

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

Frontline Ltd. And Subsidiaries		
Consolidated Balance Sheets		
(unaudited)		
(in thousands of SEK unless otherwise stated)		
	As of	As of
	September 30,	December 31,
	1997	1996
Investment in associated companies	1,688,821	349
Intangible assets	0	4,200
Deferred charges on loans	38,254	6,777
Total long term assets	8,353,152	5,699,690
Total Assets	9,053,709	6,296,856

Investments in associated companies

The Company accounts for investments in associated companies giving rise to a 20 to 50 per cent ownership at historical cost.

Under U.S. GAAP, investments giving rise to a 20- to 50- per cent ownership are generally accounted for under the equity method. For the periods presented herein, the difference in the reconciliation of shareholders' equity and net income (loss) from Swedish to U.S. GAAP was immaterial.

Recently Issued Accounting Standards

SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities after December 31, 1996. The Company believes that this statement will not have a material impact on its financial position or results of operations reported under U.S. GAAP.

SFAS No. 128, "Earnings Per Share", is effective for fiscal years beginning after December 15, 1997. This standard establishes guidelines for computing and presenting earnings per share ("EPS") and applies to entities with publicly held common stock or potential common stock. This replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS for all entities with complex capital structures. Assuming the Company had adopted SFAS No. 128, the pro forma effect on the Company's earnings per share calculation, under U.S. GAAP, for the last two fiscal years ended 31 December are as follows:

	For the years ended	
	December 31,	
	1996	1995
Basic:	(2.03)	0.43
Diluted:	(1.63)	0.76

Frontline AB and Subsidiaries
Notes to the Consolidated Financial Statements

(in thousands of SEK, unless otherwise stated)

In October 1995, the American Institute of Certified Public Accountants issued a Statement of Position (SOP) 96-1, Environmental Remediation Liabilities, which is effective for financial statements issued for periods beginning after December 15, 1996. The new standard gives guidance on specific accounting issues that are present in the recognition, measurement and disclosures of environmental remediation liabilities under US GAAP. The Company believes that this statement will not have a material impact on its financial position or results of operations.

In January 1997, the Securities and Exchange Commission adopted final rules requiring companies to disclose additional qualitative information about the market risk of derivatives and other financial instruments and accounting policies for derivatives. Disclosure is required in financial statements for periods ending after June 15, 1997. The Company has not yet fully adopted the new rules, but does not expect them to have a material impact on its financial statements.

SFAS No. 129, "Disclosure of Information about Capital Structure", is effective for fiscal years beginning after December 15, 1997. This standard establishes guidelines for disclosing information about an entity's capital structure. The impact of the adoption of SFAS No. 129 is not expected to be material to Frontline's financial statements.

SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information", are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for recording and presenting comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company intends to adopt these disclosure-only pronouncements as appropriate in 1998.

Frontline Ltd. and Subsidiaries
Consolidated Statements of Operations
(unaudited)
(in thousands of SEK unless otherwise stated)

	For the nine months ended September 30, 1997	For the nine months ended September 30, 1996
Freight revenues	1,395,561	912,893
Voyage expenses	(325,955)	(335,869)
Time charter income	1,069,606	577,024
Gain from the vessels		20,151
Ship operating expenses	(257,953)	(156,732)
Charterhire expenses	(144,961)	(201,427)
Depreciation	(323,716)	(161,954)
Administrative expenses	(58,312)	(33,913)
Other operating items, net	(15,608)	0
Operating income	<u>269,056</u>	<u>43,149</u>
Net financial items	<u>(206,477)</u>	<u>(109,692)</u>
Income (loss) before taxes	62,579	(66,543)
Taxes	<u>(30)</u>	<u>(76)</u>
Net income (loss)	<u><u>62,549</u></u>	<u><u>(66,619)</u></u>
Per share amounts:		
Net income (loss)	<u><u>0.62</u></u>	<u><u>(1.54)</u></u>

See accompanying notes to interim consolidated financial statements.

Frontline Ltd. and Subsidiaries
Consolidated Balance Sheets
(in thousands of SEK unless otherwise stated)

	<u>As of</u> <u>September 30, 1997</u>	<u>As of</u> <u>December 31, 1996</u>
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	294,500	397,466
Marketable securities	168,779	23
Other receivables	108,233	79,763
Inventories	38,899	32,574
Voyages in progress	81,904	67,304
Prepaid expenses and accrued income	8,242	20,036
Total current assets	700,557	597,166
Long term assets:		
Ships and equipment, net	6,626,077	5,665,684
Ship purchase options		22,680
Investments in associated companies	1,688,821	349
Intangible assets		4,200
Deferred charges on loans	38,254	6,777
Total long-term assets	8,353,152	5,699,690
TOTAL ASSETS	9,053,709	6,296,856

See accompanying notes to interim consolidated financial statements.

**LIABILITIES AND SHAREHOLDERS'
EQUITY**

Current liabilities:

Current portion of long term debt	1,137,536	351,975
Accounts payable	16,478	27,411
Accrued expenses and other liabilities	187,632	192,158
Total current liabilities	1,341,646	571,544

Long term liabilities:

Long term debt	3,794,734	3,465,078
Total long term debt	3,794,734	3,465,078

Shareholders' equity:

Share capital	1,037,568	1,193,250
Non-cash issue of shares		836,092
Additional paid in capital	1,044,999	
Restricted reserves	1,693,170	403,858
Total restricted equity	3,775,737	2,433,200
Accumulated earnings (losses)	79,043	(76,096)
Net income (loss)	62,549	(96,870)
Total unrestricted equity	141,592	(172,966)
Total shareholders' equity	3,917,329	2,260,234
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,053,709	6,296,856

See accompanying notes to interim consolidated financial statements.

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Frontline Ltd. and Subsidiaries
Notes to Interim Consolidated Financial Statements
(unaudited)
(in thousands of SEK unless otherwise stated)

Note 1 Consolidated Financial Statements

(a) General

In these Notes to the interim consolidated financial statements, references to the "Company" or "Frontline" are to Frontline Ltd. or Frontline AB, as described in Note 1 to the consolidated financial statements as of and for the years ended December 31, 1994, 1995 and 1996, unless the context otherwise requires. Commencing in June 1997, over 99% of the shareholders of Frontline AB, the predecessor parent company, exchanged their shares for shares in Frontline Ltd., a Bermuda based holding company. The ordinary shares of Frontline Ltd. were thereafter listed on the Oslo Stock Exchange. The shares of the Company's predecessor had been listed on the Stockholm Stock Exchange.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Sweden, ("Swedish GAAP"). These accounting principles differ in certain significant respects from accounting principles generally accepted in the United States, "U.S. GAAP". See Note 2 for a reconciliation of the principal differences between Swedish GAAP and U.S. GAAP affecting Frontline's net income (loss) and shareholder's equity.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and Notes thereto as of and for each of the three years in the period ended December 31, 1996. The interim consolidated financial statements have been prepared using the same principles as in previous years as described in Note 1 to the consolidated financial statements as of and for each of the three years in the period ended December 31, 1996.

Management is of the opinion that the interim statements reflect all adjustments that are necessary for a fair statement of the results for the interim period. Further it is management's opinion that all of the adjustments made are of a normal recurring nature.

Frontline Ltd. and Subsidiaries
Notes to Interim Consolidated Financial Statements
(unaudited)
(in thousands of SEK, except per share, unless otherwise stated)

(b) The ICB Transaction

On September 1, 1997, Frontline Ltd. announced its intention to submit an offer to acquire all the shares of ICB (see "The ICB Transaction"). The offer was modified several times, but the last version was an offer to acquire all of the shares in ICB in exchange for SEK 130 in cash for each of the A-shares and SEK 115 in cash for each of the B-shares. The total acquisition price is estimated to be US \$423 million, which would be financed in large part by a US \$300 million loan facility with Chase Manhattan Bank ("Chase Manhattan"). Drawdown amounts are payable in full upon maturity, which is 364 days from the date of signing of the facility agreement. The annual interest rate is a LIBOR based rate. The US \$300 million finance facility is collateralized by pledges of the shares in ICB purchased by Frontline Ltd. During September and October, Frontline acquired ICB shares for an approximate purchase price of US \$215 million. Through the tender offer, Frontline acquired 51.7% of the outstanding shares of ICB. However, the shares purchased provide Frontline with only 31.4% of the ICB voting power, since 14,428,078 Class B shares and 148,663 Class A shares were acquired. In connection with the ICB transaction, actions taken by ICB Management subsequent to the announcement of the Frontline tender offer clearly reflect strong opposition to Frontline's ability to exercise significant influence. Accordingly, the Company recorded its investment in ICB using the cost method under Swedish GAAP and as an available for sale security in accordance with SFAS 115 under U.S. GAAP. On January 8, 1998, Frontline announced that it withdrew its bid for the shares of ICB.

Note 2 Summary of significant differences between Swedish and U.S. Generally Accepted Accounting Principles

The consolidated financial statements of the Company have been prepared in accordance with Swedish GAAP. These accounting principles differ in certain significant respects from U.S. GAAP. The following is a summary of the estimated adjustments under U.S. GAAP that affect the Company's consolidated net income (loss) for the nine months ended September 30, 1996 and 1997, and total consolidated shareholders' equity as of December 31, 1996 and September 30, 1997.

	For the nine months ended September 30, 1997	For the nine months ended September 30, 1996
Net income (loss) in accordance with Swedish GAAP	62,549	(66,619)
Adjustments:		
Vessel owning companies:		
Net loss	(25,263)	(22,605)
Amortization of ship purchase options	<u>25,194</u>	<u>24,451</u>
Net income (loss) in accordance with U.S. GAAP	<u>62,480</u>	<u>(64,773)</u>
Primary earnings per share in accordance with U.S. GAAP	<u>0.61</u>	<u>(1.50)</u>

Frontline Ltd. and Subsidiaries
Notes to Interim Consolidated Financial Statements
(unaudited)
(in thousands of SEK, unless otherwise stated)

	As of	
	September 30, 1997 SEK	December 31 1996 SEK
Shareholders' equity in accordance with Swedish GAAP	3,917,329	2,260,234
Adjustments:		
Marketable securities	(58,314)	166
Equity in vessel owning companies		13,447
Ship purchase options:		
At cost		(116,785)
Accumulated depreciation		94,105
Shareholders' equity in accordance with U.S. GAAP	3,859,015	2,251,167

Marketable Securities

Under Swedish GAAP, current marketable securities are carried at the lower of cost or market on the balance sheet date while non-current marketable securities are written down on the balance sheet for all other than temporary declines in market value.

Under U.S. GAAP, such investments, which qualify as available-for-sale securities, should be carried at fair value, with resulting unrealized gains and losses, net of deferred taxes, recorded as a separate component of shareholders' equity.

Vessel Owning Companies

In accordance with Swedish GAAP, the Company has not consolidated certain entities which account for the activities associated with certain vessels operating under time charter leases.

Frontline Ltd. and Subsidiaries
Notes to Interim Consolidated Financial Statements
(unaudited)
(in thousands of SEK, unless otherwise stated)

Under U.S. GAAP, the special purpose entities which owned each vessel were viewed as being, in substance, controlled by Frontline. With respect to shareholders' equity, management believes there were no material differences between the accounting policy applied by the Company and U.S. GAAP for vessel owning companies as of September 30, 1997.

Ship purchase options

Under Swedish GAAP, the cost of ship purchase options has been recorded and amortized over the estimated remaining service life of the vessels.

Under U.S. GAAP, these ship purchase options are viewed as a portion of the acquisition cost of the related ships held by special purposes entities. Such entities would be consolidated under U.S. GAAP. With respect to shareholders' equity, management believes there were no material differences between the accounting policy applied by the Company and U.S. GAAP for ship purchase options as of September 30, 1997.

Deferred taxes on U.S. GAAP adjustments

Deferred taxes are calculated on the U.S. GAAP adjustments described above, where appropriate. The Company has recorded a full valuation allowance as they believe it is more likely than not that the net deferred tax assets will not be realized in future periods.

Accounting for income taxes

The Company records deferred tax assets only to the extent they can be offset against deferred tax liabilities. Temporary differences, which include net operating loss carry forwards, are generally not recognized as deferred tax assets and liabilities.

Under U.S. GAAP, deferred taxes resulting from temporary differences in financial and tax reporting (including net operating loss carry forwards) are recognized. A valuation allowance is recorded as a reduction of a deferred tax asset if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Investments in associated companies

The Company accounts for investments in associated companies giving rise to a 20 to 50 percent ownership at historical cost. Participations in partnerships are reported on a pro-rata basis with regard to balance sheet and income statement items.

Under U.S. GAAP, investments giving rise to a 20 to 50 percent ownership are generally accounted for under the equity method. For the periods presented herein, management believes that the differences in the reconciliation of shareholders' equity and net income (loss) from Swedish to U.S. GAAP were immaterial.

Independent Auditors' Report

The Board of Directors and Shareholders London & Overseas Freighters Limited

We have audited the accompanying consolidated balance sheets of London & Overseas Freighters Limited and its subsidiaries as of March 31, 1997 and 1996 and the related consolidated statements of income, cash flows and shareholders' equity for each of the years in the three-year period ended March 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of London & Overseas Freighters Limited and its subsidiaries as of March 31, 1997 and 1996 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 1997 in conformity with accounting principles generally accepted in the United States.

KPMG Peat Marwick
Chartered Accountants
Vallis Building
Par-la-Ville Road
Hamilton, Bermuda

May 2, 1997, except as to Note 17,
which is as of September 22, 1997

Moore, Stephens & Butterfield
Chartered Accountants
Vallis Building
Par-la-Ville Road
Hamilton, Bermuda

May 2, 1997, except as to Note 17,
which is as of September 22, 1997

London & Overseas Freighters Limited

Consolidated Statements of Income for the years ended March 31, 1997, 1996 and 1995

(in thousands of US\$, except per share and per ADS data)

	Notes	1997	1996	1995
Operating revenues				
Time charter income	3	\$ 17,779	\$ 17,979	\$ 24,810
Voyage charter income	3	<u>40,259</u>	<u>27,787</u>	<u>8,830</u>
Total charter income		58,038	45,766	33,640
Vessel voyage costs		(14,367)	(10,932)	(3,459)
Brokers' commission		<u>(1,696)</u>	<u>(1,302)</u>	<u>(989)</u>
Net operating revenues		<u>41,975</u>	<u>33,532</u>	<u>29,192</u>
Operating expenses				
Vessel operating costs		14,140	12,008	9,866
Depreciation		12,781	10,283	6,540
Drydocking and special survey costs		2,140	1,627	1,139
Administrative expenses		3,331	2,731	2,488
Foreign exchange (gain) loss		<u>(123)</u>	<u>34</u>	<u>(96)</u>
Total operating expenses		<u>32,269</u>	<u>26,683</u>	<u>19,937</u>
Net operating income		<u>9,706</u>	<u>6,849</u>	<u>9,255</u>
Other income (expenses)				
Interest income		902	1,048	2,086
Interest expense		<u>(8,621)</u>	<u>(6,052)</u>	<u>(2,933)</u>
Net other expenses		<u>(7,719)</u>	<u>(5,004)</u>	<u>(847)</u>
Net income before income taxes		1,987	1,845	8,408
Income taxes	5	<u>18</u>	<u>29</u>	<u>23</u>
Net income		<u>\$ 1,969</u>	<u>\$ 1,816</u>	<u>\$ 8,385</u>
Earnings per Ordinary Share and share equivalent		<u>\$ 0.026</u>	<u>\$ 0.024</u>	<u>\$ 0.113</u>
Earnings per ADS and ADS equivalent		<u>\$ 0.26</u>	<u>\$ 0.24</u>	<u>\$ 1.13</u>
Dividends per Ordinary Share	7	<u>\$ —</u>	<u>\$ 0.0075</u>	<u>\$ 0.015</u>
Dividends per ADS		<u>\$ —</u>	<u>\$ 0.075</u>	<u>\$ 0.15</u>
Weighted average number of Ordinary Shares and share equivalents outstanding	6	<u>74,610</u>	<u>74,497</u>	<u>74,381</u>
Weighted average number of ADSs and ADS equivalents outstanding		<u>7,461</u>	<u>7,450</u>	<u>7,438</u>

See accompanying notes to consolidated financial statements

London & Overseas Freighters Limited

Consolidated Balance Sheets as of March 31, 1997 and 1996

(in thousands of US\$)

	Notes	1997	1996
ASSETS			
Current assets			
Cash and cash equivalents		\$ 20,559	\$ 14,773
Trade accounts receivable		3,887	4,019
Other receivables		389	295
Inventories		1,527	1,602
Prepaid expenses and accrued income		<u>469</u>	<u>545</u>
Total current assets		26,831	21,234
Vessels and equipment, net	8, 10	207,342	219,868
Deferred charges	9	<u>740</u>	<u>919</u>
Total assets		<u>\$ 234,913</u>	<u>\$ 242,021</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current maturities of long-term debt	10	\$ 9,705	\$ 9,705
Trade accounts payable		38	1,317
Accrued expenses		4,926	4,391
Income taxes payable		11	29
Drydocking and special survey provisions		<u>2,219</u>	<u>600</u>
Total current liabilities		16,899	16,042
Long-term liabilities			
Long-term debt	10	97,049	106,753
Drydocking and special survey provisions		<u>1,536</u>	<u>1,766</u>
Total liabilities		<u>115,484</u>	<u>124,561</u>
Shareholders' equity			
Share capital	11	18,431	18,431
Capital in excess of par value		77,915	77,915
Warrants	12	683	683
Retained earnings		<u>22,400</u>	<u>20,431</u>
Total shareholders' equity		<u>119,429</u>	<u>117,460</u>
Total liabilities and shareholders' equity		<u>\$ 234,913</u>	<u>\$ 242,021</u>

See accompanying notes to consolidated financial statements

London & Overseas Freighters Limited

Consolidated Statements of Cash Flows for the years ended March 31, 1997, 1996 and 1995

(in thousands of US\$)

	Notes	1997	1996	1995
Operating activities				
Net income		\$ 1,969	\$ 1,816	\$ 8,385
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		12,781	10,283	6,540
Amortisation of deferred charges		179	142	391
(Increase) decrease in trade accounts receivable		132	(3,710)	258
(Increase) decrease in other receivables		(94)	(162)	6
(Increase) decrease in inventories		75	(1,106)	51
(Increase) decrease in prepaid expenses and accrued income		76	(97)	95
Increase (decrease) in trade accounts payable		(1,279)	324	322
Increase (decrease) in accrued expenses		535	2,623	(2)
Increase (decrease) in time charter income received in advance		-	(2,100)	2,100
Increase (decrease) in income taxes payable		(18)	6	23
Increase (decrease) in drydocking and special survey provisions		1,389	413	602
Net cash provided by (used in) operating activities		<u>15,745</u>	<u>8,432</u>	<u>18,771</u>
Investing activities				
Placement of time deposits		-	-	(31,284)
Maturity of time deposits		-	-	86,222
Additions to vessels and equipment		(255)	(316)	(300)
Additions to vessels under construction		-	(84,751)	(34,352)
Net cash provided by (used in) investing activities		<u>(255)</u>	<u>(85,067)</u>	<u>20,286</u>
Financing activities				
Proceeds from long-term debt		-	120,000	-
Repayments of long-term debt		(9,704)	(59,228)	(11,829)
Debt fees paid		-	(1,020)	(60)
Proceeds from issuance of shares		-	237	137
Offering costs paid		-	-	(26)
Dividends paid	7	-	(735)	(917)
Net cash provided by (used in) financing activities		<u>(9,704)</u>	<u>59,254</u>	<u>(12,695)</u>
Net increase (decrease) in cash and cash equivalents		5,786	(17,381)	26,362
Cash and cash equivalents at beginning of year		<u>14,773</u>	<u>32,154</u>	<u>5,792</u>
Cash and cash equivalents at end of year		<u>\$ 20,559</u>	<u>\$ 14,773</u>	<u>\$ 32,154</u>
Supplemental disclosure of cash flow information:				
Interest paid, net of capitalised interest		\$ 8,683	\$ 4,934	\$ 2,604
Income taxes (recovered) paid		<u>38</u>	<u>23</u>	<u>(9)</u>

See accompanying notes to consolidated financial statements

London & Overseas Freighters Limited

Consolidated Statements of Shareholders' Equity as of March 31, 1997, 1996 and 1995

(in thousands of US\$)

	Ordinary Share capital	Capital in excess of par value	Warrants	Retained earnings
Balance at March 31, 1994	\$ 18,281	\$ 77,436	\$ 938	\$ 11,882
Exercise of warrants	57	176	(96)	—
Net income	—	—	—	8,385
Dividends declared	—	—	—	(1,100)
Balance at March 31, 1995	18,338	77,612	842	19,167
Exercise of warrants	93	303	(159)	—
Net income	—	—	—	1,816
Dividends declared	—	—	—	(552)
Balance at March 31, 1996	18,431	77,915	683	20,431
Net income	—	—	—	1,969
Balance at March 31, 1997	<u>\$ 18,431</u>	<u>\$ 77,915</u>	<u>\$ 683</u>	<u>\$ 22,400</u>

See accompanying notes to consolidated financial statements

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

1. GENERAL

London & Overseas Freighters Limited (the “Company”) originally commenced operations in 1948 as a U.K. company (“LOF plc”). The Company was incorporated under the laws of Bermuda on June 12, 1992 for the purpose of succeeding to the business of LOF plc.

The Company owns and operates a fleet of oil tankers that transport crude oil and oil products to and from ports primarily in the United States. The Company’s fleet consists of three Panamax tankers and three Suezmax tankers, all registered under the British flag and manned by British officers. The Company has operated tankers in the crude oil and oil products trades continuously since 1950.

2. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiary, London & Overseas Freighters (UK) Limited (“LOF (UK)”). All intercompany balances and transactions have been eliminated upon consolidation.

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions affecting the amounts reported in those financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, demand and time deposits with original maturities of three months or less are considered equivalent to cash.

Inventories

Inventories, which comprise fuel and consumable stores, are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Vessels and equipment

The cost of the vessels less estimated residual value is written off on a straight-line basis over the vessels’ remaining lives. The vessels’ lives are estimated as 20 years from dates of construction. Other equipment is depreciated over its estimated residual life at rates of between 10% and 33 1/3% on a straight-line basis.

Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Time charter revenues are recorded on a daily accrual basis. Voyage charter revenues are recorded on the percentage of completion basis. Estimated losses on voyages are provided for in full at the time such losses become evident.

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

Drydocking and special survey provisions

Most of the expenditure on repairs and maintenance of the vessels is incurred during drydockings, which take place at intervals of every two to three years, with additional costs when special surveys are carried out every five years. Provisions are made so that each year's results bears a proportionate share of these costs. Such provisions are based on estimates made by management of expected cost and length of time between drydockings. Actual results could differ from those estimates.

Derivatives

The Company enters into interest rate swap transactions from time to time to hedge a portion of its exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. The differential is accrued as interest rates change and recognized as an adjustment to interest expense. The related amount receivable from or payable to counterparties is included in accrued interest expense. The fair values of the interest rate swaps are not recognized in the financial statements.

The Company enters into forward exchange contracts from time to time to hedge a portion of its expenses which are paid in U.K. Sterling. These expenses consist of compensation to the Company's officer staff and administrative expenses associated with LOF (UK). Realised and unrealised gains and losses on foreign currency hedging transactions that are designated and effective as hedges of firm identifiable foreign currency commitments are deferred and recognised in income in the same period as the hedged transaction.

The Company has not entered into any speculative derivative contracts.

Foreign currencies

The Company's functional currency is the U.S. dollar as all revenues are received in U.S. dollars and a majority of the Company's expenditures are made in U.S. dollars. As the Company's foreign operations, conducted through LOF (UK), are an integral extension of the Company's operations, the functional currency of LOF (UK) is that of its parent company. Transactions in foreign currencies during the year are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign exchange gains or losses are included in the consolidated statements of income.

Earnings per share

Earnings per Ordinary Share are calculated based on the weighted average number of Ordinary Shares and share equivalents outstanding during each year using the treasury stock method. Share equivalents represent share warrants and options assumed to be exercised. American Depositary Share ("ADS") and per ADS amounts are calculated based on Ordinary Share and per Ordinary Share amounts, as adjusted for the ratio of ADSs to Ordinary Shares.

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

Impairment of long-lived assets

Effective April 1, 1995 the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes financial accounting and reporting standards for the impairment of long-lived assets, certain identifiable intangibles, goodwill related to those assets to be held and used and long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, SFAS 121 requires that certain long-lived assets and identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The adoption of SFAS 121 had no effect on the Company's financial position or results of operations.

Stock-based compensation

Effective April 1, 1996 the Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation", ("SFAS 123"). SFAS 123 encourages the use of a fair value based method of accounting for stock-based compensation plans. SFAS 123 also requires certain disclosures about stock-based employee compensation arrangements regardless of the method used to account for them. Entities that continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") are required to disclose the pro forma effect on net income and earnings per share that would have been recognised if the fair value method had been used. The Company has chosen to continue to account for its stock-based compensation arrangements under APB 25 and has disclosed the required pro forma effect on net income and earnings per share (Note 13).

3. CHARTER INCOME

All of the vessels' gross earnings are receivable in U.S. dollars. The following are the customers that comprise 10% or more of charter income:

<i>(in thousands of US\$)</i>	1997	1996	1995
Chevron Transport Corporation	\$ 19,621	\$ 17,979	\$ 25,115
Tripetrol Oil Trading S.A. Inc.	<u> —</u>	<u> —</u>	<u> 4,110</u>

4. PENSIONS

The Company and its sea-going officers contribute to the industry-wide Merchant Navy Officers' Pension Fund ("MNOPF"), providing benefits based on average revalued pensionable salary. LOF (UK) and its employees contribute to a clerical staff scheme operated for the benefit of its shore-based employees, providing benefits based on final average pensionable salary. The assets of the schemes are held in independently administered funds. Contributions are determined on the basis of triennial valuations by

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

qualified actuaries using the projected unit method. Effective August 1, 1996 the MNOPF was closed to new entrants and re-entrants and a new industry-wide Merchant Navy Officers' Pension Plan ("MNOPP") was established. This is an defined contribution money purchase scheme. The Company, certain sea-going officers and other employees contribute to the MNOPP and other defined contribution plans, the cost of which is funded as accrued.

The most recent actuarial valuation, dated as of March 31, 1996, for the MNOPF disclosed a surplus of £225,000,000 (\$369,000,000 based on the historic exchange rate); that as of March 31, 1995, for the clerical staff scheme, which comprises three participating employees, disclosed a surplus of £532,000 (\$867,000 based on the historic exchange rate). The assumptions with the most significant effect on the results of the valuations were that the investment returns would be 9.5% for the officers' scheme and 8.5% for the clerical staff scheme and that salary increases would average 7% for the officers and 7% for the clerical staff.

The pension charge for the year was \$275,000 (1996 – \$184,000, 1995 – \$192,000) of which \$230,000 applied to the MNOPF and MNOPP.

The Company believes that compliance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" would produce results not materially different from those presented.

5. TAXATION

Bermuda

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

United States

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

In the opinion of management, a reconciliation between the income tax expense resulting from applying the U.S. Federal statutory income tax rate and the reported income tax expense does not provide any additional useful information to users of the financial statements as the Company's net income is subject to neither Bermuda nor U.S. tax. The income tax paid by LOF (UK) is not material.

United Kingdom

The Company's subsidiary, LOF (UK), is subject to United Kingdom Corporation Tax. The tax charge (benefit) for the year comprises:

<i>(in thousands of US\$)</i>	1997	1996	1995
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London & Overseas Freighters Limited
Notes to Consolidated Financial Statements

U.K. Corporation Tax	<u>\$ 18</u>	<u>\$ 29</u>	<u>\$ 23</u>
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6. EARNINGS PER SHARE

The weighted average number of Ordinary Shares and share equivalents outstanding are as follows:

<i>(in thousands)</i>	1997	1996	1995
Weighted average number of Ordinary Shares outstanding	73,726	73,577	73,318
Share equivalents outstanding	884	920	1,063
	<u>74,610</u>	<u>74,497</u>	<u>74,381</u>

7. DIVIDENDS AND DISTRIBUTIONS

Dividends declared by the Company are as follows:

<i>(in thousands of US\$, except per share data)</i>	1997	1996	1995
Dividends per Ordinary Share			
First quarter	\$ -	\$ 0.0025	\$ 0.0075
Second quarter	-	0.0025	0.0025
Third quarter	-	0.0025	0.0025
Fourth quarter	-	-	0.0025
	<u>\$ -</u>	<u>\$ 0.0075</u>	<u>\$ 0.0150</u>
Total dividends	<u>\$ -</u>	<u>\$ 552</u>	<u>\$ 1,100</u>

8. VESSELS AND EQUIPMENT

<i>(in thousands of US\$)</i>	1997	1996
Cost		
<i>London Spirit</i>	\$ 14,860	\$ 14,860
<i>London Victory</i>	14,882	14,882
<i>London Enterprise</i>	18,055	17,948
<i>London Pride</i>	76,262	76,250
<i>London Glory</i>	70,232	70,218
<i>London Splendour</i>	61,378	61,406
Equipment	<u>785</u>	<u>647</u>
	256,454	256,211
Accumulated depreciation	<u>(49,112)</u>	<u>(36,343)</u>
Net book value	<u>\$ 207,342</u>	<u>\$ 219,868</u>

London & Overseas Freighters Limited
Notes to Consolidated Financial Statements

The following is a summary of the vessels:

Name	Date delivered	Builder	Deadweight tonnage	Time charter expiration
<i>London Spirit</i>	June 1982	Mitsui Engineering & Shipbuilding	62,094	October 1997
<i>London Victory</i>	November 1982	Mitsui Engineering & Shipbuilding	62,153	n/a
<i>London Enterprise</i>	May 1983	Mitsui Engineering & Shipbuilding	62,278	n/a
<i>London Pride</i>	July 1993	Mitsui Engineering & Shipbuilding	149,686	July 1998
<i>London Glory</i>	May 1995	Mitsui Engineering & Shipbuilding	149,834	n/a
<i>London Splendour</i>	December 1995	Mitsui Engineering & Shipbuilding	149,745	n/a

9. DEFERRED CHARGES

Deferred charges represent debt arrangement fees and interest rate swap realignment charges in relation to the long-term debt which are deferred and amortised to interest expense using a constant periodic rate. The debt arrangement fees are being amortised over the life of the long-term debt. The interest rate swap realignment charges are being amortised over the life of the underlying swap. The deferred charges are comprised of the following amounts:

<i>(in thousands of US\$)</i>		1997	1996
Debt arrangement fees	\$	1,020	\$ 1,020
Interest rate swap realignment charges		<u>85</u>	<u>85</u>
		1,105	1,105
Accumulated amortisation		<u>(365)</u>	<u>(186)</u>
	\$	<u>740</u>	<u>\$ 919</u>

10. LONG-TERM DEBT

On May 31, 1995, the Company entered into a \$120,000,000 Secured Syndicated Term Loan with The Chase Manhattan Bank, N.A. ("Chase"). The loan was syndicated with the following banks:

Bank	Percentage participation
The Chase Manhattan Bank	25.00%
MeesPierson N.V.	16.67%
DNI Inter Asset Bank N.V.	12.50%
Hamburgische Landesbank - Girozentrale	12.50%
ABN AMRO Bank N.V.	8.33%
Deutsche Schiffsbank AG, Bremen	8.33%
KB Financial Services (Ireland)	8.33%
The Long Term Credit Bank of Japan, Ltd.	<u>8.33%</u>
	<u>100.00%</u>

An initial drawdown of \$85,000,000 was made on May 31, 1995 to repay all existing debt and finance the delivery instalment on the *London Glory* and the final pre-delivery instalment on the *London Splendour*. The remainder of the loan was drawn down in December 1995 to

London & Overseas Freighters Limited
Notes to Consolidated Financial Statements

finance the delivery instalment on the *London Splendour*. An initial repayment of one twenty-fourth of the initial drawdown was made coincident with the final drawdown.

Repayment of two-thirds of the balance outstanding at the final drawdown will be made semiannually over eight years on a straight-line basis. The remaining one-third of the balance outstanding will be repayable at the end of the eight years.

Interest is payable at 1% or 1 1/8% above LIBOR, dependent upon the proportion of principal that is secured by projected cash flow from time charters. At March 31, 1997, the weighted average LIBOR payable on the long-term debt was 5.56% and the margin was 1 1/8%, based upon existing time charter coverage.

The loans are secured by first priority statutory mortgages over the vessels in the fleet, an assignment of all the earnings and insurances of these vessels, a floating charge over the Company's assets and a specific assignment of the Chevron time charter on the *London Pride*. The Company is required to ensure that the aggregate value of the vessels is not less than 125% of the outstanding loan balance. In addition, the Company is required to obtain the prior written consent of two-thirds in interest of the lenders prior to paying any dividend in excess of 20% of net income on a cumulative basis from March 31, 1995. The Company is in compliance with all debt covenants.

The outstanding long-term debt as of March 31, 1997 is repayable as follows:

Year ending March 31, (in thousands of US\$)		
1998	\$	9,705
1999		9,705
2000		9,705
2001		9,705
2002		9,705
2003 and later		<u>58,229</u>
Total long-term debt	\$	<u>106,754</u>

11. SHARE CAPITAL

Share capital is as follows:

(in thousands of US\$, except per share data)	1997	1996
Authorised		
100,000,000 Ordinary Shares of \$0.25 each (1996 – 100,000,000 Ordinary Shares)	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Issued and fully paid		
73,725,816 Ordinary Shares of \$0.25 each (1996 – 73,725,816 Ordinary Shares)	<u>\$ 18,431</u>	<u>\$ 18,431</u>

In December 1993, the Company issued 50,000,000 Ordinary Shares as the result of a public offering at \$1.50 per Ordinary Share.

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

Ordinary Shares are listed on the London Stock Exchange. Ordinary Shares are also listed on the NASDAQ National Market in the form of ADSs. Each ADS represents ten Ordinary Shares.

Of the authorised and unissued Ordinary Shares, 1,605,882 are reserved for issue pursuant to subscription under warrants which can be exercised at any time up to December 31, 2003 and 2,910,000 are reserved for issue pursuant to subscription under options granted under the Company's share option plans. Save for the shares which would be issued on the exercise of the warrants and the options, no unissued share capital of the Company is under option or is conditionally or unconditionally to be put under option.

On December 6, 1996, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Plan"). The Company adopted the Plan to protect shareholders against unsolicited attempts to acquire control of the Company that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the Company and its shareholders. Under the Plan, each shareholder of record on December 20, 1996 received one right for each Ordinary Share held, and each registered holder of outstanding warrants received one right for each Ordinary Share for which they are entitled to subscribe. Each right entitles the holder to purchase from the Company one-quarter of an Ordinary Share at an initial purchase price of \$1.50. The rights will become exercisable and will detach from the Ordinary Shares a specified period of time after any person has become the beneficial owner of 20% or more of the Company's Ordinary Shares.

If any person becomes the beneficial owner of 20% or more of the Company's Ordinary Shares, each right will entitle the holder, other than the acquiring person, to purchase for the purchase price, that number of Ordinary Shares having a market value of eight times the purchase price.

If, following an acquisition of 20% or more of the Company's Ordinary Shares, the Company is involved in certain amalgamations or other business combinations or sells or transfers more than 50% of its assets or earning power, each right will entitle the holder to purchase for the purchase price ordinary shares of the other party to the transaction having a market value of up to eight times the purchase price.

The Company may redeem the rights at a price of \$0.001 per right at any time prior to a specified period of time after a person has become the beneficial owner of 20% or more of its Ordinary Shares. The rights will expire on December 31, 2006, unless earlier exchanged or redeemed.

12. WARRANTS

At the time of the reconstruction of LOF plc in 1988, 735,294 warrants were granted to each of The Royal Bank of Scotland Plc and The Bank of Nova Scotia as consideration for the waiver of the outstanding balances of the deferred loans, and Sumitomo Corporation as consideration for its obligations under the financing arrangements. As part of the arrangements for the formation of the Company, LOF plc and the Company

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

entered into an agreement with the warrant holders whereby the Company issued 2,205,882 warrants in exchange for the outstanding LOF plc warrants. Each warrant entitles the holder to subscribe for one Ordinary Share in the Company at a price of £0.40. The warrants have been recorded at their estimated value at the time of issue.

The following summarises the warrant transactions:

(in thousands)

Warrants outstanding at March 31, 1994	2,206
Exercised	<u>(225)</u>
Warrants outstanding at March 31, 1995	1,981
Exercised	<u>(375)</u>
Warrants outstanding at March 31, 1996	1,606
Exercised	<u>—</u>
Warrants outstanding at March 31, 1997	<u><u>1,606</u></u>

13. SHARE OPTION PLANS

In November 1993, the shareholders approved the Bermuda Share Option Plan (the “Bermuda Plan”) and the United Kingdom Share Option Plan (the “U.K. Plan”). Under the terms of the plans, the exercise price for the share options may not be less than the average of the fair market value of the underlying shares for the three dealing days before the date of grant. The number of shares granted under the plans may not in any ten year period exceed 7% of the issued share capital of the Company. No consideration is payable for the grant of an option.

The Company has recorded compensation expenses of \$nil (1996 – \$nil, 1995 – \$nil) in respect of share options. Had the compensation costs for these plans been determined consistent with the fair value method recommended in SFAS 123, the Company’s net income and earnings per share would have been reduced to the following pro forma amounts:

<i>(in thousands of US\$, except per share data)</i>	1997	1996
Net income		
As reported	<u>\$ 1,969</u>	<u>\$ 1,816</u>
Pro forma	<u>\$ 1,734</u>	<u>\$ 1,540</u>
Earnings per ordinary share		
As reported	<u>\$ 0.026</u>	<u>\$ 0.024</u>
Pro forma	<u>\$ 0.023</u>	<u>\$ 0.021</u>

Because the SFAS 123 fair value method of accounting has not been applied to options granted prior to April 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

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

London & Overseas Freighters Limited
Notes to Consolidated Financial Statements

The following summarises the share option transactions under the Bermuda Plan:

	Shares	Weighted average exercise price
<i>(in thousands, except per share data)</i>		
Options outstanding at March 31, 1994	1,080	1.500
Granted	40	1.382
Exercised	—	—
Cancelled	—	—
Options outstanding at March 31, 1995	1,120	1.496
Granted	30	1.348
Exercised	—	—
Cancelled	—	—
Options outstanding at March 31, 1996	1,150	1.492
Granted	190	1.173
Exercised	—	—
Cancelled	(50)	1.500
Options outstanding at March 31, 1997	<u>1,290</u>	<u>\$1.445</u>
Options exercisable at:		
March 31, 1995	<u>1,080</u>	<u>\$ 1.500</u>
March 31, 1996	<u>1,120</u>	<u>\$ 1.496</u>
March 31, 1997	<u>1,100</u>	<u>\$ 1.492</u>

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

The following summarises the share option transactions under the U.K. Plan:

	Shares	Weighted average price
<i>(in thousands, except per share data)</i>		
Options outstanding at March 31, 1994	460	£0.985
Granted	500	0.855
Exercised	—	—
Cancelled	—	—
Options outstanding at March 31, 1995	960	0.917
Granted	510	0.855
Exercised	—	—
Cancelled	(30)	0.942
Options outstanding at March 31, 1996	1,440	0.895
Granted	330	0.728
Exercised	—	—
Cancelled	(150)	0.907
Options outstanding at March 31, 1997	<u>1,620</u>	<u>£ 0.860</u>
Options exercisable at:		
March 31, 1995	<u>—</u>	<u>£ —</u>
March 31, 1996	<u>—</u>	<u>£ —</u>
March 31, 1997	<u>400</u>	<u>£ 0.979</u>

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The weighted average fair value of options granted under the Bermuda Plan in 1997 was \$0.452 (1996 - \$0.511). The weighted average fair value of options granted under the U.K. Plan in 1997 was £0.280 (1996 - £0.324). The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1997: risk free interest rate of 6.34 percent; expected life of 7 years; expected volatility of 17 percent; expected dividend yield of zero percent. The following weighted average assumptions were used for grants in 1996: risk free interest rate of 5.91 percent; expected life of 7 years; expected volatility of 18.5 percent; expected dividend yield of zero percent.

The 1,290,000 options outstanding under the Bermuda Plan at March 31, 1997 have exercise prices between \$1.173 and \$1.500, with a weighted average exercise price of \$1.445. Of the 1,290,000 (1996 - 1,150,000, 1995 - 1,120,000) options outstanding, 1,100,000 (1996 - 1,120,000, 1995 - 1,080,000) are presently exercisable. The remaining options vest one year from the date of grant.

The 1,620,000 options outstanding under the U.K. Plan at March 31, 1997 have exercise prices between £0.728 and £0.985, with a weighted average exercise price of £0.860. Of the 1,620,000 (1996 - 1,440,000, 1995 - 960,000) options outstanding, 380,000 (1996 - nil, 1995 - nil) are presently exercisable. The remaining options are not presently exercisable and all vest three years from the date of grant.

14. FINANCIAL INSTRUMENTS

Fair Values

Financial instruments at March 31, 1997 consist of the following:

<i>(in thousands of US\$)</i>	Carrying value	Fair value
Interest rate swap transactions	\$ -	\$ 344
Foreign currency hedging transactions	<u>-</u>	<u>66</u>

Fair values were estimated using the following methods and assumptions:

Interest rate swap transactions

The Company has entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR:

<i>(in thousands of US\$)</i>	Inception Date	Maturity Date	Rate
\$9,710, reducing quarterly to \$1,707	July 1993	July 1998	7.78%
\$50,000	May 1995	May 1998	6.43%
\$10,000	May 1996	May 2000	5.56%
\$20,000	May 1998	May 2000	5.90%

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

Fair value is estimated by taking into account the cost of entering into interest rate swaps to reverse these swaps.

Foreign currency hedging transactions

The Company has entered into the following forward exchange contracts involving the purchase of U.K. Sterling for U.S. dollars:

Year ending March 31, (in thousands)	Principal	Principal
1998	\$ <u>3,596</u>	£ <u>2,250</u>

The fair value of foreign currency hedging transactions is estimated based on the market value of these or similar instruments, as adjusted for differences in maturity.

Other financial instruments

The carrying amount of other financial instruments approximates fair value as the long-term debt is at floating rates of interest and all other financial instruments are short-term in nature.

Off-balance sheet market and credit risk

Market risk exists with respect to changes in interest rates and foreign exchange rates. The Company enters into interest rate swap and forward exchange contracts from time to time to manage a portion of this risk. Credit risk exists to the extent that the counterparty, Chase, is unable to perform under the contracts, but this risk is considered remote.

Concentrations of credit risk

There is a concentration of credit risk with respect to cash and cash equivalents and time deposits to the extent that substantially all of the amounts are carried with Chase.

The Company trades exclusively in the transportation of crude oil, the majority of which is in the U.S. trades. A substantial portion of revenues from these operations is received from Chevron. Credit risk exists to the extent that there is a downturn in the transportation requirements for oil or the creditworthiness of Chevron.

15. CAPITAL AND OTHER COMMITMENTS

The Company is committed to make rental payments under an operating lease for office premises which expires in October 1997 with an option to extend to October 2000. LOF (UK) is committed to make rental payments under an operating lease for office premises which expires in June 1998. The future minimum rental payments under these operating leases, including the option to extend, are as follows:

London & Overseas Freighters Limited

Notes to Consolidated Financial Statements

Year ending March 31,
(in thousands of US\$)

1998	\$	250
1999		217
2000		205
2001		135
2002		—
2003 and later		—
	\$	<u>807</u>

16. CONTINGENT LIABILITY

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

17. SUBSEQUENT EVENTS

On February 27, 1997, the Company announced its intention to explore a range of strategic alternatives aimed at positioning itself to compete more effectively in the tanker market and enhancing shareholder value. On September 22, 1997, the Company announced that it has entered into an Agreement and Plan of Amalgamation (the "Amalgamation Agreement") with Frontline Ltd., a Bermuda company ("Frontline"), providing for a business combination in a two-step transaction. In the first step, Frontline will commence a cash tender offer for at least 50.1 percent and up to 90 percent of the outstanding Ordinary Shares of the Company (including those Ordinary Shares represented by American Depositary Shares) for a price of \$1.591 per Ordinary Share (or \$15.91 per American Depositary Share). Such cash tender offer is subject to certain terms and conditions, among them the condition that there be validly tendered, and not withdrawn, Ordinary Shares representing at least 50.1 percent of the total outstanding Ordinary Shares. In the second step, subject to shareholder approval and certain other customary conditions, Frontline will amalgamate with Dolphin Limited, a newly formed, wholly-owned Bermuda subsidiary of the Company.

London & Overseas Freighters Limited

Consolidated Statements of Income

(unaudited)

(in thousands of US\$, except per share and per ADS data)

	Six months to September 30,	
	1997	1996
Operating revenues		
Time charter income	\$ 8,500	\$ 8,861
Voyage charter income	<u>20,921</u>	<u>19,160</u>
Total charter income	29,421	28,021
Vessel voyage costs	(6,200)	(6,653)
Brokers' commission	<u>(872)</u>	<u>(856)</u>
Net operating revenues	<u>22,349</u>	<u>20,512</u>
Operating expenses		
Vessel operating costs	7,227	6,976
Depreciation	6,396	6,387
Drydocking and special survey costs	1,272	1,121
Administrative expenses	1,859	1,452
Foreign exchange loss (gain)	<u>(15)</u>	<u>(22)</u>
Total operating expenses	<u>16,739</u>	<u>15,914</u>
Net operating income	<u>5,610</u>	<u>4,598</u>
Other income (expenses)		
Interest income	625	404
Interest expense	(4,038)	(4,442)
Amalgamation costs	<u>(2,568)</u>	<u>—</u>
Net other expenses	<u>(5,981)</u>	<u>(4,038)</u>
Net income before income taxes	(371)	560
Income taxes	<u>30</u>	<u>11</u>
Net income	<u>\$ (401)</u>	<u>\$ 549</u>
Earnings per Ordinary Share and share equivalent	<u>\$ (0.005)</u>	<u>\$ 0.007</u>
Earnings per ADS and ADS equivalent	<u>\$ (0.05)</u>	<u>\$ 0.07</u>
Dividends per Ordinary Share	<u>\$ —</u>	<u>\$ —</u>
Dividends per ADS	<u>\$ —</u>	<u>\$ —</u>
Weighted average number of Ordinary Shares and share equivalents outstanding	<u>74,688</u>	<u>74,688</u>
Weighted average number of ADSs and ADS equivalents outstanding	<u>7,469</u>	<u>7,469</u>

London & Overseas Freighters Limited

Consolidated Balance Sheets
(in thousands of US\$)

	September 30, 1997	March 31, 1997
	(unaudited)	
ASSETS		
Current assets		
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	<u>519</u>	<u>469</u>
Total current assets	31,475	26,831
Vessels and equipment, net	201,197	207,342
Deferred charges	<u>659</u>	<u>740</u>
Total assets	<u>233,331</u>	<u>\$234,913</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
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	<u>2,531</u>	<u>2,219</u>
Total current liabilities	22,212	16,899
Long-term liabilities		
Long-term debt	92,196	97,049
Drydocking and special survey provisions	<u>237</u>	<u>1,536</u>
Total liabilities	<u>114,645</u>	<u>115,484</u>
Shareholders' equity		
Share capital	18,431	18,431
Capital in excess of par value	77,829	77,915
Warrants	530	683
Retained earnings	<u>21,896</u>	<u>22,400</u>
Total shareholders' equity	<u>118,686</u>	<u>119,429</u>
Total liabilities and shareholders' equity	<u>\$233,331</u>	<u>\$234,913</u>

London & Overseas Freighters Limited

Consolidated Statements of Cash Flows
(unaudited)
(in thousands of US\$)

	Six months to September 30,	
	1997	1996
Operating activities		
Net income	\$ (401)	\$ 549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,396	6,387
Amortization 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
Net cash provided by (used in) operating activities	<u>11,166</u>	<u>9,297</u>
Investing activities		
Additions to vessels and equipment	(251)	(163)
Net cash provided by (used in) investing activities	<u>(251)</u>	<u>(163)</u>
Financing activities		
Repayments of long-term debt	(4,853)	(4,852)
Repurchase of warrants	(342)	—
Net cash provided by (used in) financing activities	<u>(5,195)</u>	<u>(4,852)</u>
Net increase (decrease) in cash and cash equivalents	5,720	4,282
Cash and cash equivalents at beginning of period	<u>20,559</u>	<u>14,773</u>
Cash and cash equivalents at end of period	<u>\$ 26,279</u>	<u>\$ 19,055</u>

London & Overseas Freighters Limited

Consolidated Statements of Shareholders' Equity

(unaudited)
(in thousands of US\$)

	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>

Note 1 Consolidated Financial Statements

(a) Sale of Panamax Vessels

On October 29, 1997, the Company announced the sale of its Panamax vessels, which are included in vessels and equipment in the consolidated balance sheet as at September 30, 1997.

(b) Adjustments

Management is of the opinion that the statements reflect all adjustments that are necessary for a fair statement of the results for the interim period. Further, it is management's opinion that all of the adjustments made are of a normal recurring nature.

APPENDIX I

BYE-LAWS of FRONTLINE LTD.

INTERPRETATION

1. In these Bye-Laws unless the context otherwise requires-
 - "Associate" means:
 - (a) in respect of an individual, such individual's spouse, former spouse, sibling, aunt, uncle, nephew, niece or lineal ancestor or descendant, including any step-child and adopted child and their issue and step parents and adoptive parents and their issue or lineal ancestors;
 - (b) ~~in~~ in respect of an individual, such individual's partner and such partner's relatives (within the categories set out in (a) above);
 - (c) in respect of an individual or body corporate, an employer or employee (including, in relation to a body corporate, any of its directors or officers);
 - (d) in respect of a body corporate, any person who controls such body corporate, and any other body corporate if the same person has control of both or if a person has control of one and persons who are his Associates, or such person and persons who are his Associates, have control of the other, or if a group of two or more persons has control of each body corporate, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an Associate. For the purposes of this paragraph, a person has control of a body corporate if either (i) the directors of the

body corporate or of any other body corporate which has control of it (or any of them) are accustomed to acting in accordance with his instructions or (ii) he is entitled to exercise, or control the exercise of, one-third or more of the votes attaching to all of the issued shares of the body corporate or of another body corporate which has control of it (provided that where two or more persons acting in concert satisfy either of the above conditions, they are each to be taken as having control of the body corporate);

- "Bermuda" means the Islands of Bermuda;
- "Board" means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;
- "Business Day" means a day on which banks are open for the transaction of general banking business in each of Oslo, ~~London~~ Norway, **London, UK**, New York, USA and Hamilton, Bermuda;
- "Company" means the company incorporated in Bermuda under the name of Frontline Ltd. on the 29th day of April, 1997;
- "Companies Acts" means every Bermuda statute from time to time in force concerning companies insofar as the same applies to the Company;
- **"employees share scheme" means a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of: -**
 - (a) the bona fide employees or former employees of the Company or any subsidiary of the Company; or
 - (b) the wives, husbands, widows, widowers or children or step-children under the age of 18 of such employees or former employees;

- "Extraordinary Resolution" means a resolution passed by a majority of not less than two-thirds of the votes cast at a general meeting of the Company+;
- "Listing Exchange" means any stock exchange **or quotation system** upon which any of the shares of the Company are listed from time to time;
- **"London Stock Exchange" means London Stock Exchange Limited;**
- **"Nasdaq Stock Market" means an electronic inter-dealer quotation system operated by The Nasdaq Stock Market, Inc., a subsidiary of the National Association of Securities Dealers, Inc.;**
- "Ordinary Resolution" means a resolution passed by a simple majority of votes cast at a general meeting of the Company;
- **"Oslo Stock Exchange" means the Oslo Stock Exchange;**
- "paid up" means paid up or credited as paid up;
- "Register" means the Register of Shareholders of the Company and includes any branch Register;
- "Registered Office" means the registered office for the time being of the Company;
- "Registrar" means Christiania Bank og Kreditkasse ASA, Verdipapirservice, or such other person or body corporate who may from time to time be appointed by the Board in place of Christiania Bank og Kreditkasse ASA, Verdipapirservice, as Registrar of the Company under these Bye-laws;
- "Registration Office" means the place where the Board may from time to time determine to keep a branch Register of Shareholders and where (except in cases where the Board

otherwise directs) the transfer and documents of title are to be lodged for registration;

- "Seal" means the common seal of the Company and includes any duplicate thereof;
- "Secretary" includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;
- "Shareholder" means a shareholder of the Company;
- "these Bye-Laws" means these Bye-Laws in their present form or as from time to time amended;
- "VPS" means the Verdipapirsentralen, the computerized central share registry maintained in Oslo, Norway, for bodies corporate whose shares are listed for trading on the Oslo Stock Exchange, and includes any successor registry;
- for the purpose of these Bye-Laws a body corporate shall be deemed to be present in person if its representative duly authorized pursuant to the Companies Acts is present;
- words importing the singular number ~~only~~**also** include the plural number and vice versa;
- words importing the masculine gender ~~only~~**also** include the feminine and neuter genders respectively;
- words importing persons **also** include companies and associations or bodies of persons, whether corporate or unincorporated;
- references to writing shall include typewriting, printing, lithography, **facsimile**, photography and other modes of reproducing or reproducing words in a legible and non-transitory form;
- unless otherwise defined herein, any words or expressions defined in the Companies Acts in

force at the date when these Bye-Laws or any part thereof are adopted shall bear the same meaning in these Bye-Laws or such part (as the case may be);

- headings in these Bye-Laws are inserted for convenience of reference only and shall not affect the construction thereof.

REGISTERED OFFICE

2. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

SHARE RIGHTS

3. Subject to the Companies Acts and any special rights conferred on the holders of any other share of class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return ~~erof~~ of capital or otherwise, as the Company may by Ordinary Resolution determine.
4. Subject to the Companies Acts, any preference shares may, with the sanction of an Ordinary Resolution, be issued on terms:
 - (a) that they are to be redeemed on the happening of a specified event or on a given date; and/or
 - (b) that they are liable to be redeemed at the option of the Company; and/or
 - (c) if authorized by the Memorandum/Incorporating Act of the Company, that they are liable to be redeemed at the option of the holder.

The terms and manner of redemption shall be **either as the Company may in general meeting determine or, in the event that the Company in general meeting may have so authorized, as the Board of Directors or any committee thereof may by resolution determine before the issuance of such shares.**

~~provided for by way of amendment of these Bye-Laws.~~

MODIFICATION OF RIGHTS

5. Subject to the Companies Acts, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than seventy-five percent in nominal value of the issued shares of that class or with the sanction of a resolution passed by a majority of seventy-five percent of the votes cast at a separate general meeting of the holders of such shares voting in person or by proxy. To any such separate general meeting, all the provisions of these Bye-Laws as to general meetings of the Company shall mutatis mutandis apply, but so that:
- (a) the necessary quorum at any such meeting shall be two or more persons (or in the event that there is only one holder of the shares of the relevant class, one person) holding or representing by proxy in the aggregate at least one third in nominal value of the shares of the relevant class;
 - (b) every holder of shares of the relevant class present in person or by proxy shall be entitled on a poll to one vote for every such share held by him; and
 - (c) any holder of shares of the relevant class present in person or by proxy may demand a poll.
6. The rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

SHARES

7. Subject to the provisions of these Bye-Laws, the unissued shares of the Company (whether forming part of the original capital or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.
8. The Board may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by law.
9. Except as ordered by a court of competent jurisdiction, as required by law or as otherwise provided in these Bye-Laws, no person shall be recognized by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognize (even when having notice thereon) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other right in respect of any share except an absolute right to the ~~entirely~~**entirety** thereof in the registered holder.
10. No shares shall be issued until they are fully paid except as may be prescribed by an Ordinary Resolution.

CERTIFICATES

11. The preparation, issue and delivery of certificates shall be governed by the Companies Acts. A person whose name is entered in the Register as the holder of any shares shall be entitled to receive within two months of a demand for same a certificate for such shares under the Seal of the Company as prima facie evidence of title of such person to such shares. In the case of a share held jointly by several persons, delivery of a certificate for such share to one of several joint holders shall be sufficient delivery to all.
12. If a share certificate is defaced, lost or destroyed it may ~~be~~ replaced without fee but on

such terms (if any) as to evidence, and ~~indemnity~~ and ~~to~~ payment of the costs and out of pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement, on delivery of the old certificate to the Company.

13. All certificates for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be issued under the Seal. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by mechanical means or may be printed thereon or that such certificates need not ~~be~~ signed by any persons.

LIEN

14. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable, at a date fixed by or in accordance with the terms of issue of such share in respect of such share, and the Company shall also have a first and paramount lien on every share (other than a fully paid share) standing registered in the name of a Shareholder, whether singly or jointly with any other person, for all the debts and liabilities of such Shareholder or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder or not. The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time, either generally or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Bye-Law.

15. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment has been served on the holder for the time being of the share.
16. The net proceeds of sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the Board may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

17. The Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the par value of the shares or by way of premium) and not by the terms of issue thereof made payable at a date fixed by or in accordance with such terms of issue, and each Shareholder shall (subject to the Company serving upon him at least ~~fourteen~~**seven** days notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.
18. A call may be made payable by installments and shall be deemed to have been made at the time when

the resolution of the Board authorizing the call was passed.

19. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
20. If a sum called in respect of the share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for the payment thereof to the time of actual payment at such rate as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.
21. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any date fixed by or in accordance with such terms of issue, whether on account of the nominal amount of the share or by way of premium, shall for all the purposes of these Bye-Laws be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Bye-Laws as to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
22. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

FORFEITURE OF SHARES

23. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of such call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
24. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which, and the place where, the payment

required by the notice is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the shares in respect of which such call is made or installment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, reference in these Bye-Laws to forfeiture shall include surrender.

25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
26. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.
27. A forfeited share shall be deemed to be the property of the Company and may be sold, re-offered or otherwise disposed of either to the person who was, before forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit, and, at any time before a sale, re-allotment or disposition, the forfeiture may be canceled on such terms as the Board may think fit.
28. A person whose shares have been forfeited shall thereupon cease to be a Shareholder in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine from the date of forfeiture until payment, and the Company may enforce payment

without being under any obligation to make any allowance for the value of the shares forfeited.

29. An affidavit in writing that the deponent is a Director or the Secretary and that a share has been duly forfeited on the date stated in the affidavit shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share on the sale, re-allotment or disposition thereof and the Board may authorize some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share.

REGISTER OF SHAREHOLDERS

30. The Secretary shall establish and maintain the Register of Shareholders at the Registered Office in the manner prescribed by the Companies Acts. Unless the Board otherwise determines, the Register of Shareholders shall be open to inspection in the manner prescribed by the Companies Acts between 10:00 a.m. and 12:00 noon on every working day. Unless the Board so determines, no Shareholder or intending Shareholder shall be entitled to have entered in the Register any indication of any trust or any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any of the provisions of Bye-Law 9.
31. Subject to the Companies Act, the Company may keep a branch Register of Shareholders in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such Register and maintaining a Registration Office in connection therewith.

REGISTER OF DIRECTORS AND OFFICERS

32. The Secretary shall establish and maintain a register of the Directors and Officers of the Company as required by the Companies Acts. The register of Directors and Officers shall be open to inspection in the manner prescribed by the Companies Acts between 10:00 a.m. and 12:00 noon on every working day.

TRANSFER OF SHARES

33. Subject to the Companies Acts and to such of the restrictions contained in these Bye-Laws as may be applicable and to the provisions of any applicable United States securities laws including without limitation the United States Securities Act, 1933, as amended, and the rules promulgated thereunder, any Shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve.
34. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, where any share is not fully-paid, the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Should the Company be permitted to do so under the laws of Bermuda, the Board may, either generally or in any particular case, upon request by the transferor or the transferee, accept mechanically or electronically (**including a transfer by a London Stock Exchange nominee to whom no certificate was issued**) executed transfer and may also make such regulations with respect to transfer in addition to the provisions of these Bye-Laws as it considers appropriate. The Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully-paid share.
- The Board shall decline to register the transfer of any share, and shall direct the Registrar to decline (and the Registrar shall decline) to register the transfer of any interest in any share held through the VPS, to a person where the Board is of the opinion

that such transfer might breach any law or requirement of any authority or any Listing Exchange until it has received such evidence as it may require to satisfy itself that no such breach would occur.

- The Board may decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in any share held through the VPS, if the registration of such transfer would be likely, in the opinion of the Board, to result in fifty percent or more of the aggregate issued share capital of the Company or shares of the Company to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company being held or owned directly or indirectly, (including, without limitation, through the VPS) by a person or persons resident for tax purposes in Norway (or such other jurisdiction as the Board may nominate from time to time), provided that this provision shall not apply to the registration of shares in the name of the Registrar as nominee of persons whose interests in such shares are reflected in the VPS, but shall apply, mutatis mutandis, to interests in shares of the Company held by persons through the VPS.

- For the purposes of this Bye-Law, each Shareholder (other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in the VPS) shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the Register for such Shareholder, and each person whose interests in shares are reflected in the VPS shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the VPS for such person. If such Shareholder or person is not resident for tax purpose in such jurisdiction or if there is a subsequent change in his residence for tax purposes, such

Shareholder shall notify the Company immediately of his residence for tax purposes.

- Where any Shareholder or person whose interests in shares are reflected in the VPS fails to notify the Company in accordance with the foregoing, the Board and the Registrar may suspend sine die such Shareholder's or person's entitlement to vote or otherwise exercise any rights attaching to the shares or interests therein and to receive payments of income or capital which become due or payable in respect of such shares or interests and the Company shall have no liability to such Shareholder or person arising out of the late payment or non-payment of such sums and the Company may retain such sums for its own use and benefit. In addition to the foregoing the Board and the Registrar may dispose of the shares in the Company or interests herein of such Shareholder or person at the best price reasonably obtainable in all the circumstances. Where a notice informing such Shareholder or person of the proposed disposal of his shares or interests therein has been served, his shares or interest therein may not **be** transferred otherwise than in accordance with this Bye-Law 34 and any other purported transfer of such shares or interests therein shall not be registered in the books of the Company or the VPS and shall be null and void.
- The provision of these Bye-Laws relating to the protection of purchaser of shares sold under lien or upon forfeiture shall apply mutatis mutandis to a disposal of shares or interests therein by the Company or the Registrar in accordance with this Bye-Law.
- Without limiting the generality of the foregoing, the Board may also decline to register any transfer unless:-
 - (i) the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates if any and such other evidence as the Board may

reasonably require to show the right of the transferor to make the transfer;

- (ii) the instrument of transfer is in respect of only one class of share+; and
 - (iii) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.
- Subject to any directions of the Board from time to time in force the Secretary may exercise the powers and discretion's of the Board under this Bye-Law and Bye-Laws 33 and 35.
 - If fifty percent or more of the aggregate issued share capital of the Company or shares to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company are found to be held or owned directly or indirectly (including, without limitation, through the VPS) by a person or persons resident for tax purposes in Norway (or such other jurisdiction as the Board may nominate from time to time), other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in the VPS, the Board shall make an announcement to such effect through the Oslo Stock Exchange, and the Board and the Registrar shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than fifty percent, and, for these purposes, the Board and the Registrar shall in such case dispose of shares or interests therein owned by persons resident for tax purposes in the relevant jurisdiction in question on the basis that the shares or interests therein most recently acquired shall be the first to be disposed of (i.e. on the basis of last acquired first sold) save where there is a breach of the obligation to notify

tax residency pursuant to the foregoing, in which event the shares or interests therein of the person in breach thereof shall be sold first. Shareholders shall not be entitled to raise any objection to the disposal of their shares, but the provisions of these Bye-Laws relating to the protection of purchasers of shares sold under lien or upon forfeiture shall apply mutatis mutandis to any disposal of shares or interests therein made in accordance with this Bye-Law.

35. If the Board declines to register a transfer it shall, within sixty days after the date on which the instrument of transfer was lodged, send to the transferee notice of such refusal.
36. No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register relating to any share.

TRANSMISSION OF SHARES

37. In the case of the death of a Shareholder, the survivor or survivors, where the deceased was a joint holder, and the estate representative, where he was sole holder, shall be the only person recognized by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether the sole or jointly) from any liability in respect of any share held by him solely or jointly with other persons. For the purpose of this Bye-Law, estate representative means the person to whom probate or letters of administration has or have been granted in Bermuda or, failing any such person, such other person as the Board may in its absolute discretion determine to be the person recognized by the Company for the purpose of this Bye-Law.
38. Any person becoming entitled to a share in consequence of the death of a Shareholder or

otherwise by operation of applicable law may, subject as hereafter provided and upon such evidence being produced as may from time to time be required by the Board as to his entitlement, either be registered himself as the holder of the share or elect to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall signify his election by signing an instrument of transfer of such share in favor of that other person. All the limitations, restrictions and provisions of these Bye-Laws relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or instrument of transfer as aforesaid as if the death of the Shareholder or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer shared by such Shareholder.

39. A person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law shall (upon such evidence being produced as may from time to time be required by the Board as to his entitlement) be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of the share to receive notices of or to attend or vote at general meetings of the Company or, save as aforesaid, to exercise in respect of the share any of the rights or privileges of a Shareholder until he shall have become registered as the holder thereof. The Board may at any time give notice requiring such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may thereafter withhold payment of all dividends and other moneys payable in respect of the shares until the requirements of the notice have been complied with.

40. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-Laws 37, 38 and 39.

DISCLOSURE OF MATERIAL INTERESTS

41. a)– Any person (other than the Registrar in respect of those shares registered in its name in the Register as the nominee of persons whose interests in such shares are reflected in the VPS) who acquires or disposes of an interest in shares to the effect that the requirements of the Oslo Stock Exchange in effect from time to time concerning the duty to flag changes in a person's interest in shares require such changes to be notified shall notify the Registrar immediately of such acquisition or disposal and the resulting interest of that person in shares.
- b)– For the purposes of this Bye-Law, a person shall be deemed to have an interest in shares:
- (i) owned by such person's spouse, minor child or cohabitant;
 - (ii) owned by any body corporate in which such person owns shares representing the majority of the votes attaching to all of the issued and outstanding shares of such body corporate or over which he has as owner of shares in such body corporate or by virtue of an agreement, a determining influence and a substantial participation, (as those terms are interpreted by the Norwegian courts from time to time), in the results of such body corporate's operations;
 - (iii) owned by any person with whom such person acts in concert, (as such term is interpreted from time to time by the Oslo Stock Exchange), by virtue of any agreement or otherwise; and
 - (iv) registered in the name of the Registrar in the Register as nominee of such person

or of any person referred to in clause (i), (ii), or (iii) in relation to such person-;

- (v) which are issuable on the exercise of any options, convertible bonds, subscription rights ~~and~~ or any other rights to acquire shares in which such person has an interest;
 - (vi) subject to a lien or other security interest in favor of such person;
 - (vii) which are issuable on the exercise of purchase rights, preemption rights, or other rights related thereto in which such person has an interest and which are activated by the acquisition, disposal or conversion of shares;
 - (viii) subject of any other agreed restriction on a Shareholder's right to dispose of same or to exercise such Shareholder's rights as a Shareholder, in favor of such person, except agreements to separate the dividend right from the ownership right of a share; and
 - (ix) in connection with the acquisition of which there was given guarantee of their purchase price by such person or such person otherwise undertook a risk with respect to the value thereof and which guarantee or risk remains outstanding.
- (c) The Registrar shall promptly report any such notification of interest to the Oslo Stock Exchange and the Company.
- (d) If a person fails to give notification of a change in his interest in shares in accordance with this Bye-Law 41 and the Board believes that such person has acquired or disposed of an interest in shares in circumstances in which he would be subject to the notification requirements of this Bye-~~l~~Law 41, the Board shall require the Registrar to serve upon that person a notice:

- (i) requiring him to comply with the notification requirements in relation to the change in his interest in shares; and
 - (ii) informing him that, pending compliance with the notification requirements, the registered holder or holders of the shares in which that person is interested shall not be entitled to vote or otherwise exercise any rights attaching to the shares to which the notice relates nor shall such registered holder or holders be entitled to receive payments of income or capital which become due or payable in respect of such shares. The registered holder's or holders' entitlement to such payments shall be suspended pending compliance with the notification requirements without any liability of the Company to such holder or holders arising for late payment or nonpayment and the Company may retain such sums for its own use and benefit during such period of suspension.
- (e) The provisions of these Bye-Laws relating to the protection of purchasers of shares sold under a lien or upon forfeiture shall apply mutatis mutandis to disposals under this Bye-Law 41.

INCREASE OF CAPITAL

42. The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by Ordinary Resolution shall prescribe.
43. The Company may, by the **Ordinary** Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par or at a premium or (subject to the provisions of the Companies Act) at a discount to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or

make any other provision as to the issue of the new shares.

44. The new shares shall be subject to all the provisions of these Bye-Laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

ALTERATION OF CAPITAL

45. The Company may from time to time by Ordinary Resolution:-
- (a) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions+;
 - (b) consolidate and divide all or any of its share capital into shares of larger par value than its existing shares+;
 - (c) sub-divide its shares or any of them **into** of shares of smaller ~~amount~~par value than is fixed by its memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived+;
 - (d) make provision for the issue and allotment of shares which do not carry any voting rights+;
 - (e) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and
 - (f) change the currency denomination of its share capital.

Where any difficulty arises in regard to any division, consolidation, or sub-division under this Bye-Law, the Board may settle the same as it thinks expedient and, in particular, may arrange for the sale of the shares representing fractions and the

distribution of the net proceeds of sale in due proportion amongst the Shareholders who would have been entitled to the fractions, and, for this purpose, the Board may authorize some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

46. Subject to the provisions of the Companies Act and to any confirmation or consent required by ~~law~~ **law** or these Bye-Laws, the Company may by Ordinary Resolution from time to time convert any preference shares into redeemable preference shares.
47. **The Company may from time to time purchase its own shares on such terms and in such manner as may be authorized by the Board of Directors, subject to the rules, if applicable, of the London Stock Exchange, the Nasdaq Stock Market and the Oslo Stock Exchange.** ~~Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any class of shares, the Company may, if the Board determines:~~
- ~~(a) during the twelve month period immediately following the coming into effect of these Bye-Laws purchase up to fifteen per cent of its shares of any class, including redeemable shares, in issue as at the date of the coming into effect of these Bye-Laws; and~~
 - ~~(b) after the date which is twelve months following the coming into effect of these Bye-Laws, if authorized by Ordinary Resolution, during the twelve month period immediately following the passing of such Ordinary Resolution purchase up to fifteen percent of its shares of any class, including redeemable shares, issued at the date of the passing of such Ordinary Resolution.—~~

~~All purchases made pursuant to (a) and (b) above shall be~~ **In the event the Company conducts a tender**

~~offer for its shares, any such offer which is made through the facilities of the Oslo Stock Exchange by tender offer to all Shareholders at a stated maximum price or fixed price and shall be expressed as being conditional upon no Shareholders or persons resident for tax purposes in Norway (or such other jurisdiction as the Board may nominate from time to time), owning or controlling fifty percent or more of the issued share capital or the votes attaching to the issued and outstanding share capital of the Company following such purchase. Each such offer shall be made by advertisement in Dagens Naeringsliv or another newspaper having general circulation in Oslo, Norway, and in the Financial Times or other leading London newspaper or the Wall Street Journal or other leading New York newspaper, in each case not later than seven days prior to the date upon which such offer is scheduled to close.~~

Any share so purchased shall be treated as cancelled, and the amount of the Company's issued share capital shall be diminished by the nominal value of the shares purchased, but such purchase shall not be taken as reducing the amount of the Company's authorized share capital.

REDUCTION OF CAPITAL

48. Subject to the Companies Acts, its memorandum and any confirmation or consent required by law or these Bye-Laws, the Company may from time to time by Ordinary Resolution authorize the reduction of its issued share capital or any capital redemption reserve fund or any share premium or contributed surplus account in any manner.
49. In relation to any such reduction the Company may by Ordinary Resolution determine the terms upon which such reduction is to be effected, including, in the case of a reduction of part only of a class of shares, those shares to be affected.

GENERAL MEETINGS

50. The Board shall convene and the Company shall hold general meetings as Annual General Meetings in accordance with the requirements of the Companies

Acts at such times and places subject to the limitation set out below as the Board shall appoint. The Board may whenever it thinks fits, and shall when required by the Companies Acts, convene general meetings other than Annual General Meetings which shall ~~h~~be called Special General Meetings. Any such Annual or Special General Meeting shall be held at any place other than Norway.

NOTICE OF GENERAL MEETINGS

51. An Annual General Meeting shall be called by not less than seven days notice in writing and a Special General Meeting shall be called by not less than seven days notice in writing. The notice period shall be exclusive of the day on which the notice is served or deemed to be served and of the day on which the meeting to which it relates is to be held and shall specify the place, day and time of the meeting, and in the case of a Special General Meeting, the general nature of the business to be considered. Notice of every general meeting shall be given in any manner permitted by Bye-Laws 1276 and 1287 to all Shareholders. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-Law, it shall be deemed to have been duly called if it is so agreed:-
- (a) ~~I~~in the case of a meeting called as an Annual General Meeting by all the Shareholders entitled to attend and vote thereat;
 - (b) ~~I~~in the case of any other meeting by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five percent in nominal value of the shares giving that right;-

provided that notwithstanding any provision of these Bye-Laws, no Shareholder shall be entitled to attend any general meeting unless notice in writing of the intention to attend and vote in person or by proxy signed by or on behalf of the Shareholder (together with the power of attorney or other authority, if any, under which it is signed or a

notarially certified copy thereof) addressed to the Secretary is deposited (by post, courier, facsimile transmission or other electronic means) at the Registered Office at least 48 hours before the time appointed for holding the general meeting or adjournment thereof.

52. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to or the non-receipt of notice of a meeting or such instrument of proxy by any person entitled to receive such notice shall not invalidate the proceedings at that meeting.
53. The Board may convene a Special General Meeting whenever it thinks fit. A Special General Meeting shall also be convened by the Board on the written requisition of Shareholders holding at the date of the deposit of the requisition not less than one tenth in nominal value of the paid-up capital of the Company which as at the date of the deposit carries the right to vote at a general meeting of the Company.—~~The requisition must state the purposes of the general meeting of the Company.~~ The requisition must state the purposes of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one **or** more of the requisitionists.

PROCEEDINGS AT GENERAL MEETING

54. No business shall be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting. Save as otherwise provided by these Bye-Laws, **the quorum at any general meeting shall be constituted by one or more shareholders, either present in person or represented by proxy, holding in the aggregate shares carrying 33 1/3% of the voting rights entitled to be exercised at such meeting.**~~at least two Shareholders or, in the event that there is only one Shareholder, one Shareholder, present~~

~~in person or by proxy and entitle to vote shall be a quorum for all purposes.~~

55. If within five minutes (or such longer time as the chairman of the meeting may determine to wait) after the time appointed for the meeting, a quorum is not present, the meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to such other day and such other time and place as the chairman of the meeting may determine and at such adjourned meeting two Shareholders or, in the event that there is only one Shareholder, one Shareholder, present in person or by proxy (whatever the number of shares held by them) shall be a quorum. The Company shall give not less than five days notice of any meeting adjourned through want of a quorum and such notice shall state that two Shareholders or, in the event that there is only one Shareholder, one Shareholder, present in person or by proxy (whatever the number of shares held by them) shall be a quorum.
56. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such meeting shall constitute presence in person at such meeting.
57. Each Director and the Company's auditor and Secretary shall be entitled to attend and speak at any general meeting of the Company.
58. The Chairman (if any) of the Board or, in his absence, the President shall preside as chairman at every general meeting. If there is no such Chairman or President, or if at any meeting neither the Chairman nor the President is present within five minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act ~~or~~ if one Director only is present he shall preside as chairman if willing to act. If no Director is present ~~or~~, if each of the Directors present declines to take the chair, the persons present and

entitled to vote on a poll shall elect one of their number to be chairman.

59. The chairman of the meeting may, with the consent of those present at any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
60. Save as expressly provided by these Bye-Laws, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

VOTING

61. Save where a greater majority is required by the Companies Acts or these Bye-Laws, any question proposed for consideration at any general meeting shall be decided on by Ordinary Resolution.
62. **The Board may, with the sanction of an Ordinary Resolution, amalgamate the Company with another company (whether or not the Company is the surviving company and whether or not such an amalgamation involves a change in the jurisdiction of the Company).**
63. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:
- (a) the chairman of the meeting; or
 - (b) at least three shareholders present in person or represented by proxy; or
 - (c) any shareholder or shareholders present in person or represented by proxy and holding between them not less than one tenth of the

total voting rights of all the shareholders having the right to vote at such meeting; or

- (d) a shareholder or shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up **equal to at least** ~~equal to not less than one-tenth~~ of the total sum paid up on all such shares conferring such right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact without proof of the number of votes recorded for or against such resolution.

- 64. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on ~~a~~ any other question shall be taken in such manner and either forthwith or at such time (being not later than three months after the date of the demand) and place as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.
- 65. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded and it may be withdrawn at any time before the close of the meeting or the taking of the poll whichever is the earlier.
- 66. On a poll, votes may be cast either personally or by proxy.
- 67. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

68. If a poll is duly demanded, the result of the poll shall be deemed to be the resolution of the meeting at which the poll is demanded.
69. In the case of any equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of such meeting shall not ~~h~~be entitled to a second or casting vote.
70. Subject to the provisions of these Bye-Laws and to any special rights or restrictions as to voting for the time being attached to any shares, every Shareholder who is present in person or by proxy or proxies shall have one vote for every share of which he is the holder.
- ~~- A poll on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll on any other question shall be taken in such manner and either forthwith or at such time (being not later than 30 days after the date of the demand) and place as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.~~
71. In the case of joint holders of a share, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
72. A Shareholder who is a patient for any purpose of any statute or applicable law relating to mental health or in respect of whom an order has been made by any Court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such Court and such receiver, committee, curator bonis or other person may vote by proxy, and may otherwise act and be treated as such Shareholder for the purpose of general meetings.

73. No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
74. If (i) any objection shall be raised to the qualification of any voter or (ii) any votes have been counted which ought not to have been counted or which might have been rejected or (iii) any votes are not counted which ought to have been counted, the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered ~~or at which the vote objected to is given or tendered~~ or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

PROXIES AND CORPORATE REPRESENTATIVES

75. A Shareholder may appoint one or more proxies to attend at a general meeting of the Company and to vote on his behalf and proxies appointed by a single Shareholder need not all exercise their vote in the same manner. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorized by him in writing or, if the appointor is a body corporate, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
76. Any Shareholder may appoint a standing proxy or (if a body corporate) representative by depositing at the Registered Office a proxy or (if a body corporate) an authorization and such proxy or authorization shall be valid for all general meetings and adjournments thereof until notice of revocation is received at the Registered Office. Where a standing proxy or authorization exists, its

operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Shareholder is present or in respect of which the Shareholder has specially appointed a proxy or representative. The Board may from time to time require such evidence as it shall deem necessary as to the due execution and continuing validity of any such standing proxy or authorization and the operation of any such standing proxy or authorization shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.

77. Subject to Bye-Law 76, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require, shall be delivered at the Registered Office, at the place of the meeting, or at such place as may be specified in the notice convening the meeting or in any notice of any adjournment, or, in either case, in any document sent therewith, prior to the holding of the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequent to the date of a meeting or adjourned meeting, before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
78. Instruments of proxy shall be in any common form or in such other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any meeting forms of instruments of proxy for use at that meeting. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any adjournment of the meeting as for the meeting to which it relates.
79. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument ~~if~~**of** proxy or of the authority under which it was executed, provided

that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office, the place of the meeting or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

80. Subject to the Companies Acts, the Board may at its discretion waive any of the provisions of these Bye-Laws related to proxies or authorizations and, in particular, may accept such verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Shareholder at general meetings.

TRANSACTIONS WITH PRINCIPAL SHAREHOLDERS

81. (a) Subject to paragraph (e) below, where any transaction with a Principal Shareholder is proposed, a circular must be sent to each Shareholder.
- (b) For the purposes of this Bye-Law:
- (i) "transaction with a Principal Shareholder" means a transaction (other than a transaction of a revenue nature in the ordinary course of business) between the Company, or any of its subsidiaries, and a Principal Shareholder or an Associate of a Principal Shareholder; and
 - (ii) "Principal Shareholder" means any person (excluding the Registrar in respect of those shares registered in its name on the Register as nominee of persons whose interests in such shares are reflected in the VPS and any bare trustee) who is, or was within the twelve months preceding the date of the transaction, entitled to exercise, or to control the exercise of, whether directly or indirectly (including through interests in shares registered in the name of the Registrar on the Register as nominee of such person whose interests

in such shares are reflected in the VPS), twenty percent or more of the votes attaching to all of the issued shares.

- (c) Any circular sent to Shareholders in accordance with paragraph (a) above shall provide sufficient information to enable each Shareholder to evaluate the effects of the transaction on the Company or the relevant subsidiary.
- (d) The provisions of paragraph (a) of this Bye-Law shall apply mutatis mutandis to any variation or novation of an existing agreement between the Company (or any of its subsidiaries) and a Principal Shareholder (or Associate of a Principal Shareholder) whether or not at the time that the original agreement was entered into, the latter party was a Principal Shareholder (or the Associate of a Principal Shareholder).
- (e) Notwithstanding the foregoing, the provisions of this Bye-Law ~~81~~ shall not apply to any of the following transactions:
 - (i) an issue of new shares for cash by the Company (or any of its subsidiaries); or
 - (ii) the issue of shares of the Company (or of any of its subsidiaries) pursuant to an employee share scheme of the Company (or such subsidiary); or
 - (iii) an underwriting of all or part of an issue of shares by the Company (or any of its subsidiaries) where the consideration paid by the Company (or such subsidiary) in respect of such underwriting is no more than the usual commercial underwriting consideration and is determined on the same basis as the consideration to be paid to the other underwriters (if any); **or**
 - (iv) a transaction that is not material. For the purposes of this Bye-Law a transaction shall be material where the

market value of the assets which are the subject of the transaction (ignoring for these purposes any related indebtedness) is greater than or equal to five percent of the net assets of the Company as set out in the latest audited accounts of the Company then available (or, if there are none, in the latest consolidated balance sheet reported on by the auditors of the Company) or, if less, U.S.\$20,000,000; or

- (v) a transaction in which a Principal Shareholder participates solely by virtue of his shareholding in, or interests in shares of, the Company and on a pro-rata basis with the other holders of shares or interests in shares of the relevant class of the Company, including, without limitation, the declaration of a dividend by the Company or other distribution of assets of the Company.

APPOINTMENT AND REMOVAL OF DIRECTORS

- 82. The number of Directors shall be such number not less than two as the Company by **Ordinary** Resolution may from time to time determine and each Director shall hold office until the next annual general meeting following his election or until his successor is elected.
- 83. The Company shall at the Annual General Meeting and may in a general meeting by Ordinary Resolution determine the minimum and the maximum number of Directors and may by Ordinary Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of these Bye-Laws. Without prejudice to the power of the Company in any general meeting in pursuance of any of the provisions of these Bye-Laws to appoint any person to be a Director, the Board, so long as a quorum of Directors remains in office, shall have power at any time and from time to time to appoint any individual to be a Director so as to fill a casual vacancy.
- 84. The Company may in a Special General Meeting called for that purpose remove a Director provided notice

of any such meeting shall be served upon the Director concerned not less than ~~fourteen~~ **fourteen** days before the meeting and he shall be entitled to be heard at that meeting. Any vacancy created by the removal of a Director at a Special General Meeting may be filled at the Meeting by the election of another person as Director in his place or, in the absence of any such election, by the Board.

RESIGNATION AND DISQUALIFICATION OF DIRECTORS

85. The office of a Director shall be vacated upon the happening of any of the following events:
- (a) if he resigns his office by notice in writing delivered **into** the Registered Office or tendered at a meeting of the Board;
 - (b) if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that he shall be removed from office;
 - (c) if he becomes bankrupt or compounds with his creditors;
 - (d) if he is prohibited by law from being a Director; **or**
 - (e) ~~and~~ if he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-Laws.

ALTERNATE DIRECTORS

86. (a) The Company may by **Ordinary** Resolution elect a person or persons qualified to be Directors to act as Directors in the alternative to any of the Directors of the Company or may authorize the Board to appoint such Alternate Directors and a Director may appoint and remove his own Alternate Director. Any appointment or removal of an Alternate Director by a Director shall be effected by depositing a notice of appointment or removal with the Secretary at the Registered Office, signed by such Director, and such appointment or removal

shall become effective on the date of receipt by the Secretary. Any Alternate Director may be removed by **Ordinary** Resolution of the Company and, if appointed by the Board, may be removed by the Board. Subject as aforesaid, the office of Alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. An Alternate Director may also be a Director in his own right and may act as alternate to more than one Director.

- (b) A Director may at any time, by notice in writing signed by him delivered to the Registered Office of the Company ~~or at the Head Office or~~ at a meeting of the Board, appoint any person (including another Director) to act as ~~a~~Alternate Director in his place during his absence and may in like manner at any time determine such appointment. If such person is not another Director such appointment unless previously approved by the Board shall have effect only upon and subject to being so approved. The appointment of an ~~a~~Alternate Director shall determine on the happening of any event, which, were he a Director, would cause him to vacate such office or if his appointor ceases to be a Director.

DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES

87. The amount, if any, of Directors' fees shall from time to time be determined by the Company by Ordinary Resolution and in the absence of a determination to the contrary in general meeting, such fees shall be deemed to accrue from day to day. Each Director may be paid his reasonable traveling, hotel and incidental expenses properly incurred in attending and returning from meetings of the Board or committees constituted pursuant to these Bye-Laws or general meetings and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs

services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.

DIRECTORS' INTERESTS

88. (a) A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.
- (b) A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (c) Subject to the provisions of the Companies Acts, a Director may notwithstanding his office be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and **may** be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested. The Board may also cause the voting power conferred by the shares in any other body corporate held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other body

corporate, or voting or providing for the payment of remuneration to the directors or officers of such other body corporate.

- (d) So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Companies Acts, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which these Bye-Laws allow him to be appointed or from any transaction or arrangement in which these Bye-Laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.
- (e) Subject to the Companies Acts and any further disclosure required thereby, a general notice to the Directors by a Director or officer declaring that he is a director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, shall be a sufficient declaration of interest in relation to any transaction or arrangement so made.

POWERS AND DUTIES OF THE BOARD

- 89. Subject to the provisions of the Companies Acts and these Bye-Laws and to any directions given by the Company in general meeting, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company. No alteration of these Bye-Laws and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Bye-Law shall not be limited by any special power given to the Board by these Bye-Laws and a meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.

90. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.
91. All checks, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.
92. The Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any person including any Director or former Director who has held any executive office or employment with the Company or with any body corporate which is or has been a subsidiary or affiliate of the Company or a predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person in connection with the provision of pensions. **The Board may also establish and maintain any employees' share scheme, share option or share incentive scheme approved by Ordinary Resolution whereby selected employees of the Company or of any company which is a subsidiary of the Company are given the opportunity of acquiring shares in the capital of the Company on the terms and subject to the conditions set out in such scheme and establish and (if any such scheme so provides) contribute to any scheme for the purchase by or transfer, allotment or issue to trustees of shares in the Company to be held for the benefit of employees (including Directors and officers) of the Company and subject to the Companies Act lend money to such trustees or employees to enable the purchase of such shares.**

93. The Board may from time to time appoint one or more of its body to be a managing director, joint managing director or an assistant managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and may revoke or terminate any such appointments. ~~Any such appointment shall cease automatically if the appointee ceases to be a Director.~~ Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Any person so appointed shall receive such remuneration (if any), (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.

DELEGATION OF THE BOARD'S POWERS

94. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such power, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-Laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney and of such attorney as the Board may think fit, and may also authorize any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. The Board may revoke or vary any such delegation of power, but no person dealing in good faith with such delegate without notice of such revocation or variation shall be affected by such revocation or variation.
95. The Board may entrust to and confer upon any Director or officer **or, without prejudice to the**

provisions of Bye-Law 97, other individual any of the powers exercisable by it upon such terms and conditions with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

96. The Board may delegate any of its powers, authorities ~~and~~ **or** discretions to committees, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed upon it by the Board. The Board may revoke or vary any such delegation of its powers, authorities and discretions, but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

PROCEEDINGS OF THE BOARD

97. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit, provided that Board meetings are to be held outside Norway **and the United Kingdom**. Questions arising at any meeting shall be determined by a majority of votes cast. In the case of an equality of votes the motion shall be deemed to have been lost. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a **b**Board meeting.
98. Notice of a **b**Board meeting shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent to him by post, cable, telex, telecopier or other mode of representing or reproducing words in a legible and non-transitory form at his last known address or any other address given by him to the Company for this purpose. A Director may waive notice of any meeting either prospectively or retrospectively.
99. (a) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other

number, shall be ~~two~~ individuals **constituting a majority of the Board**, provided that a quorum shall be ~~deemed not to be present~~ unless a majority of the Directors present are not resident in Norway. Any Director who ceases to be a Director at a ~~h~~Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of the Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

- (b) Subject to the provisions of Bye-Law 89, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Companies Acts and these Bye-Laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present.

100. So long as a quorum of Directors remains in office, the continuing Directors may act notwithstanding any vacancy in the Board but, if no such quorum remains, the continuing Directors or a sole continuing Director may act only for the purpose of calling a general meeting.
101. The Chairman (if any) of the Board or, in his absence, the President shall preside as chairman at every meeting of the Board. If there is no such Chairman or President, or if at any meeting neither the Chairman nor the President is present within five minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.
102. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-Laws for regulating the meetings and proceedings of the

Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

103. A resolution in writing signed by all the Directors for the time being entitled to receive notice of a meeting of the Board or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the Board or, as the case may be, of such committee duly called and constituted. Such resolution may be contained in one document or in several documents in the like form each signed by one or more of the Directors or members of the committee concerned.
104. A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participation~~ing~~ in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting. A meeting of the Board or committee appointed by the Board held in the foregoing manner shall be deemed to take place at the place where the largest group of participating Directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates. The Board or relevant committee shall use its best endeavours to ensure that any such meeting is not deemed to have been held in Norway or the United Kingdom, and the fact that one or more Directors may be present at such teleconference by virtue of his being physically in Norway or the United Kingdom shall not deem such meeting to have taken place in Norway or the United Kingdom.
105. All acts done by the Board or by any committee or by any person acting as a Director or member of a committee or any person duly authorized by the Board or any committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated their office, be as valid as if every such person had been duly

appointed and was qualified and had continued to be a Director, member of such committee or person so authorized.

OFFICERS

106. The officers of the Company shall include a President and a Vice-President who shall be Directors and shall be elected by the Board as soon as possible after the statutory meeting and each annual general meeting. In addition, the Board may appoint one of the Directors to be Chairman of the Board and any person whether or not he is a Director to hold such other office (including any additional Vice-Presidencies) as the Board may from time to time determine. Any person elected or appointed pursuant to this Bye-Law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such election or appointment. Any such revocation or termination shall be without prejudice to any claim for damages that such officer may have against the Company or the Company may have against such officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-Laws, the powers and duties of the officers of the Company shall be such (if any) as are determined ~~form~~ **from** time to time by the Board.

MINUTES

107. The Directors shall cause minutes to be made and books kept for the purpose of recording:
- (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors and other persons (if any) present at each meeting of Directors and of any committee;
 - (c) ~~of~~ all proceedings at meetings of the Company, of the holders of any class of shares in the Company, and of committees; and

(d) ~~of~~ all proceedings of managers (if any).

SECRETARY

108. The Secretary shall be appointed by the Board at such remuneration (if any) and upon such terms as it may think fit and any Secretary so appointed may be removed by the Board.

The duties of the Secretary shall be those prescribed by the Companies Acts together with such other duties as shall from time to time be prescribed by the Board.

109. A provision of the Companies Acts or these Bye-Laws requiring or authorizing a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.

THE SEAL

110.(a) The Seal shall consist of a circular metal device with the name of the Company around the outer margin thereof and the country and year of incorporation across the center thereof. Should the Seal not have been received by the Registered Office in such form at the date of adoption of ~~this~~**these** Bye-Laws then, pending such receipt, any document requiring to be sealed with the Seal shall be sealed by affixing a red wafer ~~sale~~**seal** to the document with the name of the Company, and the country and year of incorporation typewritten across the center thereof.

(b) The Board shall provide for the custody of every Seal. A Seal shall only be used by authority of the Board or of a committee of the Board authorized by the Board in their behalf. Subject to these Bye-Laws, any instrument to which a Seal is affixed shall be signed by a Director and by the Secretary or by a second Director; provided that the Secretary or a Director may affix a Seal over his signature only to authenticate copies of these Bye-Laws, the minutes of any meeting or any other documents requiring authentication.

DIVIDENDS AND OTHER PAYMENTS

111. The Board may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests including interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company in the opinion of the Board, justifies such payment.
112. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:
- (a) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid up on the shares in respect of which the dividend or distribution is paid and an amount paid up on a share in advance of calls may be treated for the purpose of this Bye-Law as paid-up on the share;
 - (b) dividends or distributions out of contributed surplus may be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.
113. The Board may deduct from any dividend, distribution or other moneys payable to a Shareholder by the Company on or in respect of any share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.
114. No dividend, distribution or other moneys payable by the Company on or in respect of any share shall bear interest against the Company unless otherwise provided by the rights attached to such share.
115. Any dividend distribution, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the mail addressed to the holder at his address in the Register or, in

the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his registered address as appearing in the Register or addressed to such person at such address as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the Register in respect of such shares, and shall be sent at his or their risk, and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.

116. Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company, and the payment by the Board of any unclaimed dividend, distribution, interest or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.
117. ~~With the sanction of an Ordinary Resolution, t~~The Board may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets, and, in particular, of paid up shares or debentures of any other body corporate, and where any difficulty arises in regard to such distribution or dividend the Board may settle it as it thinks expedient, and, in particular, may authorize any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any Shareholders upon the ~~footing~~ **basis** of the value so fixed in order to secure equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board.

RESERVES

118. The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

CAPITALIZATION OF PROFITS

119. The Company may, upon the recommendation of the Board, at any time and from time to time resolve by Ordinary Resolution to the effect that it is desirable to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution amongst the Shareholders, or any class of Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions, ~~on the footing~~ **provided** that the same be not paid in cash but be applied either in or towards paying up amounts for the time being unpaid on any shares in the Company held by such Shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted, distributed and credited as fully paid among such Shareholders, or ~~partly~~**partly** in one way or partly in the other, and the Board shall give effect to such resolution, provided that for the purpose of this Bye-Law, a share premium account and a capital redemption reserve fund may be applied only in paying up of unissued shares to be issued to such Shareholders credited as fully paid and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

120. Where any difficulty arises in regard to any distribution under the last preceding Bye-Law, the Board may settle the same as it thinks expedient and, in particular, may authorize any person to sell and transfer any fractions, ~~or~~ may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so, or may ignore fractions altogether, and may determine that cash payments should be made to any Shareholders in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

RECORD DATES

121. **Notwithstanding any other provision of these Bye-Laws the Directors may fix any date as the record date for:**
- (a) **determining the Members entitled to receive any dividend or other distribution and such record date may be on, or not more than 30 days before or after, any date on which such dividend or distribution is declared;**
 - (b) **determining the Members entitled to receive notice of and to vote at any general meeting of the Company.**

~~Notwithstanding any other provisions of these Bye-Laws, the Company in general meeting or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and for the purpose of identifying the persons entitled to receive notices of general meetings. Any such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared paid or made or such notice is dispatched.~~

ACCOUNTING RECORDS

122. The Board shall cause to be kept accounting records sufficient to give a fair presentation in all material respects of the state of the Company's

affairs and to show and explain its transactions in accordance with the Companies Acts.

123. The records of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit, and shall at all times be open to inspection by the Directors; PROVIDED that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Director to ascertain with reasonable accuracy the financial position of the Company at the end of each three-month period. No Shareholder (other than an officer of the Company) shall have any right to inspect any accounting record or book or document of the Company except as required by **any Listing Exchange** ~~the applicable stock exchanges or Inter-Dealer Quotation System on which the company has listed its shares,~~ by law, **by** regulations or **as** authorized by the Board or by Ordinary Resolution.
124. A copy of every balance sheet and statement of income and expenditure, including every document required by law to be annexed thereto, which is to be laid before the Company in general meeting, together with a copy of the auditor's report, shall be sent to each person entitled thereto in accordance with the requirements of the Companies Acts.

AUDIT

125. Save and to the extent that an audit is waived in the manner permitted by the Companies Acts, auditors shall be appointed and their duties regulated in accordance with the Companies Acts, any other applicable law and such requirements not inconsistent with the Companies Acts as the Board may from time to time determine, save that the fees of the auditor shall be determined by Ordinary Resolution.

SERVICE OF NOTICES AND OTHER DOCUMENTS

126. Any notice or other document (including a share certificate) shall be in writing (except where otherwise expressly stated) and may be served on or

delivered to any Shareholder by the Company either personally or by sending it through the mail (by airmail where applicable) in a prepaid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders. Any notice or other document if sent by mail shall be deemed to have been served or delivered ~~seven~~**two** Business Days after it was put in the mail; ~~and,~~ in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the mail.

127. Any notice of a general meeting of the Company shall be deemed to be duly given to a Shareholder if it is sent to him by cable, telex, telecopier or other mode of representing or reproducing words in a legible and non-transitory form at his address as appearing in the Register or any other address given by him to the Company for this purpose. Any such notice shall be deemed to have been served two Business Days after its dispatch.
128. Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-Laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has **received** notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

WINDING UP

129. If the Company shall be wound up, the liquidator may, with the sanction of an Extraordinary Resolution and any other sanction required by the Companies Acts, divide among the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust ~~of~~**for** the benefit of the contributors as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

INDEMNITY

130. Subject to the proviso below every person who is or was a Director, officer of the Company or member of a committee constituted under Bye-Law 96 (the "Company Indemnatee") or who is or was a director or officer of any of the Company's subsidiaries ("Subsidiary Indemnatee") shall be indemnified out of the funds of the Company against all civil liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, officer of the Company or committee member, or as a director or officer of any of the Company's subsidiaries and the indemnity contained in this Bye-Law shall extend to any person acting as a Director, officer of the Company or committee member, or as a director or officer of any of the Company's subsidiaries in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election PROVIDED ALWAYS that the indemnity contained in this Bye-Law shall not extend to any matter which would render it void pursuant to the Companies Acts.

131. Every Company Indemnitee or Subsidiary Indemnitee shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Company Indemnitee or Subsidiary Indemnitee in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted, or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.
132. To the extent that any Company Indemnitee or Subsidiary Indemnitee is entitled to claim an indemnity pursuant to these Bye-Laws in respect of amounts paid or discharged by him, the relevant indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge. The expenses incurred by the Company Indemnitee or Subsidiary Indemnitee pursuant to Bye-Laws 130 and 131 in any threatened or pending legal suits or proceedings shall be paid by the Company in advance upon the written request of the Company Indemnitee or Subsidiary Indemnitee upon proper documentation of such costs having been incurred. The same indemnity applies to expenses incurred in any proceedings where such Company Indemnitee or Subsidiary Indemnitee is a party or threatened to be made a party to any legal suits or proceedings by or in the rights of the Company or any of the Company's subsidiaries to procure a judgment in its favor by reason of the fact that the Company Indemnitee or Subsidiary Indemnitee is or was such Company Indemnitee or Subsidiary Indemnitee. Provided, however, that the Company Indemnitee or Subsidiary Indemnitee shall undertake to repay such amount to the extent that it is ultimately determined that the Company Indemnitee or Subsidiary Indemnitee is not entitled to indemnification.
133. Subject to the Companies Acts, the Company may purchase and maintain for any Company Indemnitee or Subsidiary Indemnitee, insurance against any liability arising in connection with his office with the Company or any of the Company's subsidiaries.

ALTERATION OF BYE-LAWS

134. These Bye-Laws may be amended from time to time in the manner provided for in the Companies Acts, provided that any such amendment shall only become operative to the extent that it has been confirmed by Extraordinary Resolution.