

Edgar Filing: FRONTLINE LTD / - Form 6-K

FRONTLINE LTD /  
Form 6-K  
November 14, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of November, 2001

Frontline Ltd.  
(Translation of registrant's name into English)

Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road,  
Hamilton HM 08, Bermuda  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file  
annual reports under cover Form 20-F or Form 40-F

Form 20-F      X      Form 40-F      -----

Indicate by check mark whether the registrant by furnishing the  
information contained in this Form is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under  
the Securities Exchange Act of 1934.

Yes      -----      No      X

If "Yes" is marked, indicate below the file number assigned to  
the registrant in connection with Rule 12g3-2(b): 82-

Item 1. INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached as Exhibit 1 is a copy of the press release of Frontline  
Ltd. (the "Company"), dated November 12, 2001.

Attached as Exhibit 2 is a copy of an announcement of the  
Company, dated November 12, 2001.

2

Exhibit 1

FRONTLINE LTD.

INTERIM REPORT JULY - SEPTEMBER 2001

THIRD QUARTER AND NINE MONTH RESULTS

Frontline reports earnings before interest, tax, depreciation, and amortisation including earnings from associated companies (EBITDA) of \$107.4 million and net income of \$39.3 million for the third quarter of 2001. These results include a gain on sale of assets of \$18.8 million arising from the sale of the Suezmax tanker Front Archer in July 2001. Basic earnings per share for the quarter were \$0.51 compared to \$1.23 in the same period in 2000 and cashflow per share for the quarter was \$0.92 (2000 - \$1.51). The results for the third quarter of 2001 compare with EBITDA and net income of \$141.3 million and \$97.0 million respectively in the third quarter of 2000, a period when rates in the tanker market were at significantly higher levels.

## Edgar Filing: FRONTLINE LTD / - Form 6-K

The average daily time charter equivalents ("TCEs") earned by VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$30,800, \$23,100 and \$23,000, respectively, down from \$51,400, \$36,500 and \$33,400, respectively in the immediately preceding quarter. Operating costs for the third quarter of 2001 include a charge of approximately \$1.3 million for supplementary calls for P&I insurance and a charge of approximately \$2.1 million in connection with the drydocking of four vessels in the quarter. With the exception of these items, total operating costs have been maintained across the fleet at budgeted levels. In the third quarter of 2001, the Company has changed its accounting policy for drydockings. Prior to the third quarter of 2001, provisions for future drydockings have been accrued and charged to expense on a pro-rata basis over the period to the next scheduled drydockings. Effective January 1, 2001 the Company will recognise the cost of a drydocking at the time the drydocking takes place, that is it will apply the "expense as incurred" method. The expense as incurred method is considered by management to be a more reliable method of recognising drydocking costs as it eliminates the uncertainty associated with estimating the cost and timing of future drydockings. The cumulative effect of this change in accounting principle is shown separately in the consolidated statements of operations for the nine months ended September 30, 2001 and resulted in a credit to income of \$32.3 million in the first quarter of 2001. The cumulative effect of this change as of January 1, 2001 on the Company's consolidated balance sheet was to reduce total liabilities by \$32.3 million. The Company's income statements and balance sheets have also been restated for the first and second quarters of 2001 as a consequence of this change in accounting policy.

3

Net interest expense for the quarter was \$19.7 million (2000 - \$22.0 million). This compares with \$19.4 million the second quarter of 2001. Other financial items for the quarter were \$7.5 million of which \$7.2 million is attributable to the market value adjustment on interest rate swaps. The strengthening of the Yen against the US Dollar in the third quarter of 2001 has resulted in the Company recording an unrealised foreign currency exchange loss of \$9.6 million primarily relating to the revaluation of Yen debt in certain Golden Ocean subsidiaries. For the 2001 year to date there is an unrealised foreign currency gain of \$9.3 million. There is a similar foreign currency impact on the share of results from associated companies due to the revaluation of Yen debt within certain of these companies.

On 12 November 2001 the Board has declared a dividend of \$0.10 per share for third quarter. The record date for the dividend is 22 November 2001, and ex dividend date is 20 November 2001. The dividend is to be paid on or about 5 December 2001.

For the first nine months of 2001, the Company had EBITDA of \$459.3 million (2000 - \$260.1 million) and earned net income of

## Edgar Filing: FRONTLINE LTD / - Form 6-K

\$339.0 million (2000 - \$132.7 million). This net income in 2001 includes \$32.3 million relating to the cumulative effect of the change in the accounting policy for drydockings as discussed above.

Net interest expense for the nine month period was \$60.8 million (2000 - \$64.3 million). This decrease reflects the benefit of lower interest rates on debt and increased interest income arising from higher average cash balances. Other financial items for the nine months ended September 30, 2001 were \$11.6 million which is attributable to the market value adjustment on interest rate swaps. The foreign exchange gain for the nine month period was \$9.3 million, reduced from \$19.0 million at June 30, 2001 principally due to the strengthening of the yen against the US Dollar. Earnings per share for the 2001 year to date are \$4.41 (2000 - \$1.86) and cashflow per share was \$5.57 (2000 - \$2.74).

### THE MARKET

At the start of the third quarter of 2001, charter rates improved from the very low rates experienced towards the end of the second quarter. VLCC rates showed great volatility and varied between below \$20,000 per day in August and \$50,000 per day in the second half of September. Suezmax rates peaked in July and declined thereafter. After the end of the quarter the market has weakened considerably and both VLCCs and Suezmaxes are currently being fixed at low levels.

The rate decline is explained by a general slowdown in the world economy and a decrease in OPEC Middle East production as a consequence of several OPEC quota reductions. The balance between

4

supply and demand is not as bad though as current rate levels seem to indicate but general pessimism has contributed to depressing the market.

As a consequence of market development scrapping and conversion of older tonnage has accelerated and so far this year 28 VLCCs/ULCCs and 18 Suezmaxes have been scrapped or converted compared to 23 and 14 respectively delivered. Newbuilding contracting has more or less come to a halt. The order book, though, still stands at 89 VLCCs and 67 Suezmaxes for delivery from now until first half of 2004.

### CORPORATE AND OTHER MATTERS

Frontline's wholly-owned subsidiary, Golden Ocean, agreed in May 2001 to a settlement with certain parties in order to acquire five VLCCs over which Golden Ocean had purchase options. Three of these vessels were delivered to the Company in the second quarter of 2001 and the fourth was delivered in mid July. One of these VLCCs is on time charter to Arcadia until mid 2002 at a TCE of approximately \$40,000 per day and one is trading under a market related bareboat charter to Shell. The other two vessels have been employed in the Tankers International Pool.

In the third quarter of 2001, the Company took delivery of three

## Edgar Filing: FRONTLINE LTD / - Form 6-K

new double-hulled VLCCs from Bergesen D.Y. ASA in a joint venture together with Overseas Shipholding Group, Inc. and Euronav Luxembourg S.A. These vessels are employed in the Tankers International Pool. The joint venture with OSG and Euronav has also acquired two newbuilding contracts for double-hulled VLCCs from Bergesen, with delivery scheduled for February and July 2002.

In August 2001, the Company took delivery of a newbuilding Suezmax, Front Melody and in early October took delivery of her sister ship, Front Symphony. These vessels acquired by the Company, together with the three vessels acquired through the joint venture with Euronav and OSG, have been financed by traditional bank financing.

In July 2001, the Company sold the Suezmax tanker, Front Archer and the 1974-built VLCC Mosocean that was purchased as a result of the acquisition of Mosvold Shipping Limited in the second quarter of 2001.

During the third quarter of 2001 the Company issued a total of 15,000 shares in connection with the exercise of employee share options and bought back and cancelled a total of 520,000 of its own shares. In September 2001, the Company announced that it has established a Stock Indexed Total Return Swap Programme (or Equity Swap Line) with The Bank of Nova Scotia Group ("Scotia"). The Programme secures that Scotia may acquire up to 3,500,000

5

Frontline shares over the next 12 months. Since the shares are owned by Scotia the shares will not be subject to immediate cancellation, which has been the case for regular buy backs carried out by the Company. At September 30, 2001, the Company has acquired a total amount of 3,927,145 of its shares and 301,400 shares had been acquired by Scotia within the current Board authorization to buy back up to 7,500,000 shares. At September 30, 2001, 76,407,566 shares were outstanding and the weighted average number of shares outstanding for the quarter was 76,489,577 (as at September 30, 2000, 78,537,524 and for the quarter then ended - 78,804,371).

### OUTLOOK

The downturn in the global economy this year will be negative for oil consumption resulting in slow or marginal growth. In addition, Middle East OPEC's market share may decline. This will negatively affect the tanker market. We expect that this will result in increased scrapping of old tonnage, which may balance or exceed expected newbuilding deliveries. Scrapping alone, however, will not be sufficient to create an improved rate environment but will create room for higher rates as demand picks up. Generally global oil stocks are tight so there is little risk of stock draw reducing tanker demand further. The recent weakening of the oil price should over time stimulate demand for oil relative to other energy sources. This is likely to make a positive contribution to the freight market. Part of this effect was experienced after the fall in oil price in 1997-98.

## Edgar Filing: FRONTLINE LTD / - Form 6-K

The Board expects that tanker rates will be lower than what we have been used to until oil demand growth starts to increase, but expects periods of good rates due to seasonal demand swings in the winter. The lower freight rates have resulted in decreasing second-hand values. The Board sees opportunities for acquisitions or corporate transaction in a changing market. It is, however, a concern for the Board that the Frontline share price currently is trading at 44 per cent of book value. This limits the opportunity for expansion but makes an extension of the current buyback program very interesting. The current cash position of US\$ 117 million gives the company good financial flexibility. The Board is currently considering actions, which will boost the cash position further. Frontline has today a profit and loss breakeven rate of US\$ 21,400 for VLCCs and US\$ 15,700 for Suezmaxes. Based on the current age composition of the fleet the Board is confident that the rates in the coming periods will exceed these levels even in a negative economic development scenario.

### FORWARD LOOKING STATEMENTS

This press release contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Frontline management's examination of historical operating trends. Although

6

Frontline believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Frontline cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in this press release include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the tanker market, as a result of changes in OPEC's petroleum production levels and world wide oil consumption and storage, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the United States Securities and Exchange Commission.

November 12, 2001  
The Board of Directors  
Frontline Ltd.  
Hamilton, Bermuda

Questions should be directed to:

## Edgar Filing: FRONTLINE LTD / - Form 6-K

Contact: Tor Olav Troim: Director and Vice-President, Frontline Ltd  
+47 23 11 40 00

Ola Lorentzon, Managing Director, Frontline Management AS  
+47 23 11 40 00

Tom E. Jebsen: Chief Financial Officer, Frontline Management AS  
+47 23 11 40 00

Kate Blankenship: Chief Accounting Officer, Frontline Ltd  
+ 1 441 295-6935

7

### FRONTLINE GROUP UNAUDITED THIRD QUARTER REPORT

2000 Jul-Sep	2001 Jul-Sep	INCOME STATEMENT (in thousands of \$)	2001 Jan-Sep	2000 Jan-Sep	2000 Jan-Dec (audited)
174,156	132,406	Net operating revenues	537,752	352,252	599,944
-	18,822	Gain (loss) from sale of assets	34,839	463	1,160
23,025	32,240	Ship operating expenses	89,611	63,042	88,455
8,385	10,460	Charterhire expenses	31,516	25,019	34,351
3,275	1,767	Administrative expenses	8,126	8,483	9,326
139,471	106,761	Operating income before depreciation and amortisation	443,338	256,171	468,972
22,343	31,118	Depreciation and amortisation	89,264	63,073	92,880
117,128	75,643	Operating income after depreciation and amortisation	354,074	193,098	376,092
2,223	2,234	Interest income	10,115	3,724	6,858
(24,181)	(21,942)	Interest expense	(70,881)	(68,016)	(96,174)
1,868	684	Share of results from associated companies	15,953	3,935	12,817
253	(7,455)	Other financial items	(11,618)	72	248
(308)	(9,638)	Foreign currency exchange gain (loss)	9,328	(149)	14,563
96,983	39,526	Income before taxes and minority interest	306,971	132,664	313,908
-	(31)	Minority interest	14	-	-
-	271	Taxes	256	-	41
-	-	Cumulative effect of change in accounting			

Edgar Filing: FRONTLINE LTD / - Form 6-K

		principle	32,339	-	-
96,983	39,286	Net income	339,040	132,664	313,867
		Earnings Per Share			
		Amounts (\$)			
\$1.23	\$0.51	EPS before cumulative			
		effect of change in			
		accounting principle	\$3.99	\$1.86	\$4.28
-	-	Cumulative effect of			
		change in accounting			
		principle	\$0.42	-	-
\$1.23	\$0.51	EPS	\$4.41	\$1.86	\$4.28
		Income on timecharter			
		basis			
		(\$ per day per ship)*			
52,000	30,800	VLCC	47,600	37,700	46,300

8

41,100	23,100	Suezmax	34,100	30,200	35,500
41,200	23,000	Suezmax OBO	31,900	29,000	33,300

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



9

BALANCE SHEET (in thousands of \$) (audited)	2001 Sep 30	2000 Sep 30	2000 Dec 31
--	----------------	----------------	----------------

## ASSETS

## Short term

Cash and cash equivalents	117,351	136,807	116,094
Marketable securities	323	23,888	3,713
Other current assets	96,556	113,704	172,842

## Long term

Newbuildings and vessel purchase options	100,968	-	36,326
Vessel and equipment, net	2,502,755	1,778,857	2,363,308
Investment in associated companies	98,565	8,651	27,361
Goodwill	14,224	11,782	14,385
Deferred charges and other long-term assets	16,867	18,366	46,959
Total assets	2,947,609	2,092,055	2,780,988

## LIABILITIES AND STOCKHOLDERS' EQUITY

## Short term

Short term interest bearing debt	223,930	140,614	212,767
Other current liabilities	70,488	52,728	77,624

## Long term

Long term interest bearing debt	1,331,107	1,023,271	1,331,372
Other long term liabilities	103,994	18,449	123,665
Minority interest	6,070	4,372	6,070
Stockholders' equity	1,212,020	852,621	1,029,490
Total liabilities and stockholders' equity	2,947,609	2,092,055	2,780,988

## UNAUDITED THIRD QUARTER SUPPLEMENTARY INFORMATION

## SELECTED FINANCIAL DATA

(in thousands of \$)

	Frontline Jan-Sep 2001	Golden Ocean Jan-Sep 2001
Net operating revenues	473,502	64,154
Operating income before depreciation and amortisation	395,983	53,260
Depreciation and amortisation	74,300	16,036

Edgar Filing: FRONTLINE LTD / - Form 6-K

Operating income after depreciation and amortisation	321,683	37,224
Interest income	11,582	1,770
Interest expense	(58,517)	(15,603)
Share of results from associated companies	7,549	8,405
Other financial items	(11,618)	-
Foreign currency exchange gain (loss)	(846)	10,174
Net income before taxes, minority interest and cumulative effect of change in accounting principle	269,833	41,970
Total current assets	201,841	12,209
Vessels and equipment (including newbuildings,		

10

options and vessels under capital lease)	2,157,201	452,608
Total assets	2,487,320	524,460
Total current liabilities	254,087	40,330
Total long-term liabilities	1,071,450	408,251
Stockholders' equity	1,161,782	75,877
Total liabilities and stockholders' equity	2,487,320	524,460

11

Exhibit 2

Presentation of third quarter 2001 results

On Wednesday 14 November 2001, Frontline will present the results for third quarter 2001 as follows:

1. Presentation

A presentation will take place in Oslo at Stranden 21 (DnB building) in the Auditorium at second floor at 08:30 A.M. If you wish to attend please confirm to:  
Mrs Bente Thommessen or Mrs Elisabeth Roer at +47 23 11 40 00.

2. Teleconference and webcast

A conference call will be held at 04:00 P.M. CET (Norwegian time).

Wednesday morning, the presentation will be available for download at <http://www.frontline.bm> - click "Investor Relations" - "Presentations" - "Presentation of 3rd Quarter 2001".

To listen you may do one of the following:

A. Webcast

Go to "Investor relations" and click on the link "Conference Call Q3".

To listen to the conference call from the web, you need to have installed Windows Media Player or Real Player, and you need to have a sound card on your computer.

B. Teleconference

Call at +47-23 00 04 00, or free of charge from Norway at 80080119, tell the operator you wish to participate in the Frontline conference call.

There will be a Q&A session after the presentation. Information on how to ask questions will be given at the beginning of the call.

If you are not able to participate at the time of the call, you can listen to a replay of the conference call directly from [www.frontline.bm](http://www.frontline.bm) (investor relations) or a playback:

dial +47-22331113

Edgar Filing: FRONTLINE LTD / - Form 6-K

account no: 1114 followed by # (pound-sign) press 1  
conference no: 114 followed by # (pound-sign) press 1 to play

Kind regards  
Inger M. Klemp

12

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Frontline Ltd.

-----  
(Registrant)

Date November 13, 2001

-----

By

/s/ Kate Blankenship

-----

Kate Blankenship  
Secretary

02089009.AH0

13