FRONTLINE LTD /
Form 6-K
June 07, 2018

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO
RULE 13A-16 OR 15D-16 UNDER THE SECURITIES
EXCHANGE ACT OF 1934

For the month of June 2018

Commission File Number: 001-16601

FRONTLINE LTD.
(Translation of registrant's name into English)

Par-la-Ville Place, 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 of Form 20-F or Form 40-F.
Form 20-F [X]   Form 40-F [   ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ________.

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ________.

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 1 is a copy of the press release issued by Frontline Ltd. (the "Company") on May 31, 2018, reporting the Company's results for the first quarter and three months ended March 31, 2018.

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)

Dated: June 7, 2018 By: /s/ Inger M. Klemp
Name: Inger M. Klemp
Title: Principal Financial Officer

EXHIBIT 1

FRONTLINE LTD. REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2018

Frontline Ltd. (the "Company" or "Frontline"), today reported unaudited results for the three months ended March 31, 2018:

Highlights

- Reports net loss attributable to the Company and net loss attributable to the Company adjusted for certain non-cash items of $13.6 million, or $0.08 per share.
- Three newbuildings were delivered: the VLCC's Front Empire and Front Princess and the LR2 Front Polaris.
- Achieved spot TCE of $18,000 per day for VLCCs less than 15 years of age, excluding two newbuildings delivered during the quarter.
- Extended its loan facility of up to $275.0 million by 12 months to November 2019.

Robert Hvide Macleod, Chief Executive Officer of Frontline Management AS commented:

"The spot rate environment was weak in the first quarter as inventory draws impacted a freight market that was already suffering from high fleet growth. While there are encouraging signs that seaborne crude volumes may soon increase as a result of changes by OPEC and a slowing trend of inventory draws, the market is not yet factoring in upside potential."

The average daily time charter equivalents ("TCE") earned by Frontline in the quarter ended March 31, 2018, the prior quarter and in the year ended December 31, 2017 are shown below, along with spot estimates for the second quarter of 2018 and the estimated average daily cash break-even ("BE") rates for the remainder of 2018:

($ per day)	Spot			Spot estimates	% covered	Estimated average daily BE rates
	Q1 2018	Q4 2017	YTD 2017	Q2 2018		2018
VLCC	14,900	19,400	22,400	11,600	78 %	22,700
SMAX	15,400	19,500	17,300	14,500	70 %	18,500
LR2	14,800	14,400	14,400	12,400	72 %	16,300

The estimated average daily cash break-even rates are the daily TCE rates the vessels must earn in order to cover operating expenses including dry dock, repayments of loans, interest on loans, bareboat hire and general and administrative expenses. In the first quarter of 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers. As a result, the accounting for voyage results has changed from recognizing voyage revenues on a discharge-discharge basis to load-to-discharge and from recognizing voyage costs as incurred, to deferring certain voyage costs prior to load and amortizing these over the charter period. See note 2 for further details. Spot estimates are prepared on a discharge-to-discharge basis. This may result in a timing difference in the recognition of actual voyage results compared to estimates.

The Fleet

As of March 31, 2018, the Company's fleet consisted of 63 vessels, with an aggregate capacity of approximately 12.3 million DWT:

(i) 46 vessels owned by the Company (12 VLCCs, 16 Suezmax tankers, 18 LR2/Aframax tankers);
(ii) eight VLCCs that are under capital leases;
(iii) one VLCC that is recorded as an investment in finance lease;
(iv) one VLCC where the cost/revenue is split 50/50 with an unrelated third party;
(v) seven vessels that are under the Company's commercial management (two Suezmax tankers, two LR2 tankers and three Aframax oil tankers)

Furthermore, the Company has two VLCC newbuildings under construction, with an aggregate carrying capacity of 0.6 million DWT.

As of March 31, 2018, the Company had entered into a time charter-out contract for one LR2 tanker with expiry in Q1 2019 at an average rate of $17,300 per day.

In April, the Company entered into time charter-in arrangements for two VLCCs at a rate of $21,250 per day for two years, plus an optional third year at $23,250 per day.

Frontline Shipping Limited ("FSL"), a non-recourse subsidiary of Frontline, has eight VLCCs built 2001-2004 on charter from Ship Finance International Limited ("Ship Finance"). The vessels earned approximately $12,300 per day in the first quarter of 2018, the third consecutive quarter these vessels earned less than the base rate of $20,000. Until the spot market recovers above the base rate, FSL will only pay to Ship Finance a charter hire reflective of the rates achieved by these vessels in the spot market. Frontline will continue to be responsible for operating expenses of the vessels in excess of $9,000 per day.

The vessels continue trading as crude oil tankers, but together with Ship Finance we are actively exploring potential alternative uses for some of these vessels, such as conversion projects, long-term storage or other alternative employment options, with focus on optimizing the use of our invested capital.

Newbuilding Program/ financing update

As of March 31, 2018, the Company's newbuilding program was comprised of two VLCCs. As of March 31, 2018, total instalments of $32.9 million had been paid and the remaining commitments amounted to $130.6 million, of which $75.0 million is due in 2018 and $55.6 million is due in 2019, respectively. As of March 31, 2018 Frontline has committed bank financing in place to partially finance delivery of the Company's remaining newbuildings and estimates loan amounts of $55.3 million to be drawn in 2018 and $55.3m to be drawn in 2019, respectively.

In February 2018, the Company extended the terms of its senior unsecured loan facility of up to $275.0 million with an affiliate of Hemen Holding Ltd ("the Credit Facility") by 12 months. Following the extension, the Credit Facility is repayable in November 2019. Frontline's total liquidity as at the end of March 31, 2018 was approximately $249.0 million, including the undrawn portion of the Credit Facility and marketable securities, net of amounts used as security for borrowings.

Corporate Update

Pursuant to the Company's stated dividend policy, the Board has decided not to pay a dividend for the first quarter of 2018.

The Company had 169,809,324 ordinary shares outstanding as of March 31, 2018, and the weighted average number of shares outstanding for the quarter was 169,809,324.

First Quarter 2018 Results

The Company reports a net loss attributable to the Company of $13.6 million for the first quarter of 2018 compared with a loss of $248.4 million in the previous quarter. The net loss attributable to the Company adjusted for certain non-cash items was $13.6 million for the first quarter. These non-cash items consisted of a $5.8 million loss on termination of the lease for Front Circassia, a $0.3 million mark to market loss on marketable securities, a gain on derivatives of $5.1 million and a gain on sale of shares of $1.0 million.

Reconciliation of net (loss) income attributable to the Company adjusted for certain non-cash items1:

(in millions of $)	Q1 2018	Q4 2017	Full year 2017	Full year 2016
Net (loss) income attributable to the Company	(13.6)	(248.4)	(264.9)	117.0
Add back:				
Loss on termination of vessel lease, net of cash paid	5.8	—	3.3	—
Loss on cancellation of newbuilding contracts	—	—	—	2.7
Vessel impairment loss	—	142.9	164.2	61.7
Impairment loss on shares	—	—	—	7.2
Unrealised loss on marketable securities	0.3	—	—	—
Goodwill impairment loss	—	112.8	112.8	—
Provision for uncollectible receivables	—	—	—	4.0
Loss on derivatives	—	—	3.3	—
Less:				
Gain on derivatives	(5.1)	(2.3)	(2.5)	(3.7)
Gain on sale of shares	(1.0)	—	—	—
Gain on termination of lease	—	—	(20.6)	—
Net (loss) income attributable to the Company adjusted for certain non-cash items	(13.6)	5.0	(4.4)	188.9
(in thousands)				
Weighted average number of ordinary shares	169,809	169,809	169,809	156,973
(in $)				
Basic (loss) earnings per share	(0.08)	(1.46)	(1.56)	0.75
Basic (loss) earnings per share adjusted for certain non-cash charges	(0.08)	0.03	(0.03)	1.20

1 This press release describes net income attributable to the Company adjusted for certain non-cash items and related per share amounts, which are not measures prepared in accordance with US GAAP ("non-GAAP"). We believe the non-GAAP financial measures presented in this press release provides investors with a means of evaluating and understanding how the Company's management evaluates the Company's operating performance. These non-GAAP financial measures should not be considered in isolation from, as substitutes for, nor superior to financial measures

prepared in accordance with GAAP.

Strategy and Market Outlook

The past two years have been characterized by a large growth in the global crude oil tanker fleet, and the growth has continued in 2018. Thus far, 13 VLCC's have been delivered this year. An additional 43 VLCCs are scheduled to be delivered in 2018. Although some of these are expected to be pushed to 2019, we expect the final number of deliveries to be between 40 and 45. This compares to 50 VLCCs delivered in 2017 and 47 in 2016.

The number of crude oil tanker newbuilding orders was lower in the first quarter of 2018 than in the prior quarter, and we expect newbuilding ordering to slow further in the near term. Newbuilding prices have increased driven by steel costs and constrained shipyard capacity.

Scrapping has increased considerably in 2018. According to broker reports, 22 VLCCs have been scrapped so far and additional VLCC's have been sold for near-term scrapping. Consistently high scrap prices, combined with a very weak freight market, have compelled owners of older tonnage to dispose of their vessels at a near record pace. If the pace of scrapping continues, the global VLCC fleet will see negative growth in 2018. The surge in scrapping is a positive factor that will help to reduce net fleet growth, but it will likely take some time before the market rebalances.

OPEC and non-OPEC production cuts have resulted in crude oil inventory draws, decreased arbitrage opportunities and ultimately reduced the demand for crude oil tankers. We believe, however, that we are approaching the end of a crude inventory cycle and that inventories will stabilize and then begin to build again. There is a historic relationship between crude oil inventory levels and freight rates, with periods where rates rise as inventories build and decline as inventories are consumed. Despite the persistence of a weak rate environment, cyclical changes are underway, and until then Frontline remains sharply focused on maintaining our cost-efficient operations and low breakeven levels.

Conference Call and Webcast

On May 31, 2018 at 9:00 A.M. ET (3:00 P.M. CET), the Company's management will host a conference call to discuss the results. Participants should dial into the call 10 minutes before the scheduled time using the following numbers:

Norway	+47 2100 2610
Norway toll free	800 51084
UK	+44 (0)330 336 9105
UK Toll Free	0800 358 6377
USA	+1 323-794-2094
USA Toll Free	800-263-0877
Conference ID	8903662

Presentation materials and a webcast of the conference call may be accessed on the Company's website, www.frontline.bm, under the 'Webcast' link. A replay of the conference call will be available for seven days following the live call. The following numbers may be used to access the telephonic replay:

UK	+44 (0) 207 660 0134
UK Toll Free	0 808 101 1153
Norway Dial-In	+47 23 50 00 77
Norway toll free	800 196 72
USA Toll Free	888 203 1112
USA	+1 719 457 0820
Replay Access Number	8903662

Participant information required: Full name & company

Forward-Looking Statements