FRONTLINE LTD /
Form 6-K
March 01, 2019

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 March 2019

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 February 28, 2019, reporting the Company’s results for the fourth quarter and year ended December 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: March 1, 2019	By: /s/ Inger M. Klemp Name: Inger M. Klemp Title: Principal Financial Officer

EXHIBIT 1

FRONTLINE LTD. REPORTS RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2018

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

Highlights

- Net income attributable to the Company was $25.4 million, or $0.15 per share, for the fourth quarter of 2018.
- Net income attributable to the Company was $26.3 million, or $0.15 per share adjusted for certain non-cash items for the fourth quarter of 2018.
- Reported spot average daily time charter equivalent ("TCE") was $28,400 for VLCCs in the fourth quarter, impacted significantly by a high number of ballast days towards the end of the quarter, deferring revenue recognition into the first quarter of 2019.[1] Reported spot TCE for Suezmax tankers and LR2/Aframax tankers were $26,100 and $18,700, respectively.
- Spot TCE of $41,300 contracted for 84% of vessel days for VLCCs, spot TCE of $33,300 contracted for 77% of vessel days for Suezmax tankers and spot TCE of $26,100 contracted for 73% of vessel days for LR2/Aframax tankers, estimated for the first quarter of 2019, including deferred revenue recognition from the fourth quarter of 2018.
- In November 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. by 12 months to November 2020.
- In January 2019, the Company increased its ownership interest to 28.9% in Feen Marine Scrubbers Inc. ("FMSI").
- In January 2019, the Company took delivery of the VLCC newbuilding Front Defender.

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

"The market improved in the fourth quarter before pulling back due to OPEC cuts, accelerated fleet growth and seasonal factors. In recent weeks, the market has reversed course, with US export volumes and VLCC rates doubling since January. We expect the market to remain volatile but continue to trend higher as the fleet prepares for new regulations and oil volumes return. Crude oil tanker demand will also receive a significant boost as refineries increase crude import runs to meet incremental demand for compliant fuels prior to the implementation of IMO 2020 regulations. Although there are always risks related to slowing global demand, multiple positive market drivers should result in strong year over year growth in earnings."

Inger M. Klemp, Chief Financial Officer of Frontline Management AS added:

"Our current newbuilding program will be completed with the delivery of our last VLCC newbuilding expected in April 2019. With limited capital expenditure requirements going forward and backed by attractive financing, Frontline is committed to maintaining its healthy balance sheet. This supports our low breakeven rates and enables the Company to generate significant cash flow in a strengthening tanker market."

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[1] See note 2 to the condensed unaudited financial statements for an explanation of the impact of the adoption of ASC 606 on the financial statements for the year ending December 31, 2018.

The average daily time charter equivalents (“TCE”) earned by Frontline in the quarter ended December 31, 2018, the prior quarters and in the year ended December 31, 2017, are shown below, along with spot estimates for the first quarter of 2019 and the estimated average daily cash break-even (“BE”) rates for the remainder of 2019:

Average daily time charter equivalents ("TCE")

($ per day)	Spot						Spot estimates	% covered	Estimated average daily cash BE rates
	2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	2017	Q1 2019		2019
VLCC	18,300	28,400	19,900	11,700	14,900	22,400	41,300	84%	24,400
SMAX	17,300	26,100	13,500	14,100	15,400	17,300	33,300	77%	19,900
LR2	14,900	18,700	14,300	11,700	14,800	14,400	26,100	73%	16,700

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 docks, repayments of loans, interest on loans, bareboat/tc hire and general and administrative expenses.

Spot estimates are provided using the load-to-discharge method of accounting as described in Note 2 to our Unaudited Condensed Consolidated Financial Statements. The rates quoted are for days currently contracted. The actual rates to be earned in the first quarter of 2019 will therefore depend on the number of additional days that we can contract, and more importantly the number of additional days that each vessel is laden. Therefore a high number of ballast days at the end of the quarter will limit the amount of additional revenues to be booked based on accounting under ASC 606. The load-to-discharge method of accounting results in revenues being recognized over fewer days, but at a higher rate for those days. Over the life of a voyage there is no difference in the total revenues and costs to be recognized.

When expressing TCE per day, the Company uses the total available days for the quarter and not just the number of days the vessel is laden.

The Fleet

As of December 31, 2018, the Company’s fleet consisted of 61 vessels, with an aggregate capacity of approximately 11.6 million DWT:

(i) 46 vessels owned by the Company (12 VLCCs, 16 Suezmax tankers, 18 LR2/Aframax tankers);

(ii) three VLCCs that are under capital leases;

(iii) one VLCC that is recorded as an investment in finance lease;

(iv) two VLCCs chartered in from an unrelated third party; and

(v) nine vessels that are under the Company’s commercial management (three VLCCs, two Suezmax tankers, two LR2 tankers and two Aframax oil tankers)

As of December 31, 2018, the Company had entered into a fixed rate time charter-out contract for one LR2 tanker with expiry in Q1 2020 at an average rate of $19,500 per day.

In October 2018, the Company agreed with Ship Finance International Limited ("Ship Finance") to terminate the long term charter for the 2001-built VLCC, Front Ariake, upon the sale and delivery of the vessel by Ship Finance to an unrelated third party. The charter terminated in October and Frontline agreed to make a total compensation payment to Ship Finance of $3.375 million for the termination of the charter, which has been recorded as an interest bearing note payable by Frontline. The note carries interest of 7.5% and will be fully repaid in 2023.

In December 2018, the Company agreed with Ship Finance to terminate the long term charter for the 2002-built VLCC, Front Falcon, upon the sale and delivery of the vessel by Ship Finance to an unrelated third party. The charter terminated in December. No compensation was payable on termination of the charter.

These two terminations have reduced obligations under capital leases by approximately $55.2 million. The Company recorded a gain on termination, including the termination payment, of $8.9 million in the fourth quarter of 2018.

Newbuilding Program/ Financing Update

As of December 31, 2018, the Company's newbuilding program comprised two VLCCs. One of these, Front Defender, was delivered in January 2019. The other, Front Discovery, is expected to be delivered in April 2019.

As of December 31, 2018, total instalments of $51.1 million had been paid and remaining commitments expected to be paid in the first and second quarter of 2019 amounted to $114.4 million. As of December 31, 2018, Frontline has committed bank financing in place to finance the delivery of these newbuildings and estimates a loan amount of $114.7 million will be drawn in 2019.

In November 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 until November 2020. In January 2019, the Company repaid $15 million under the Credit Facility. $104.0 million remains available and undrawn as of February 27, 2019.

Corporate Update

In January 2019, Frontline announced that its ownership interest in FMSI had increased to 28.9% following the purchase by FMSI of a 30.8% stake in FMSI from Bjørnar Feen.

Pursuant to the Company's stated dividend policy, the Board has decided to focus on repayment of debt and not to pay a dividend for the fourth quarter of 2018.

The Company had 169,821,192 ordinary shares outstanding as of December 31, 2018. The weighted average number of shares outstanding for the quarter was 169,812,989 and for the year end December 31, 2018 it was 169,810,248.

Fourth Quarter 2018 Results

The Company reports net income attributable to the Company of $25.4 million for the fourth quarter of 2018 compared with net income of $2.2 million in the previous quarter. The net income attributable to the Company adjusted for certain non-cash items was $26.3 million for the fourth quarter of 2018. The non-cash items consisted of a $8.9 million gain on the termination of the leases on Front Ariake and Front Falcon, a $0.2 million share of results of an associated company, a loss on derivatives of $4.7 million and a $5.4 million unrealized loss on marketable securities.

In September 2018, the Company sold 1.3 million shares in Golden Ocean Group Limited ("GOGL") for proceeds of $11.8 million. At the same time, the Company entered into a forward contract to repurchase 1.3 million shares in GOGL in December 2018 for $11.9 million. As partial settlement of the contract, the Company entered into a new forward contract to repurchase the shares in March 2019 for $7.7 million and as such made net cash settlement of $3.5 million after adjustment for foreign exchange differences. This has been treated as a settlement of debt.

Per Note 2 to our Unaudited Condensed Consolidated Financial Statements, the period over which we recognize certain voyage revenues and voyage expenses has changed from discharge-to-discharge to load-to-discharge for voyage contracts within the scope of ASC 606. Due to the increased time lag between entering a contract and recognizing revenue on such a contract, a rising market is expected to result in lower revenues being recognized under load-to-discharge accounting compared to discharge-to-discharge accounting.

Reconciliation of net (loss) income attributable to the Company adjusted for certain non-cash items: 1)

(in millions of $)	Q4 2018	Q3 2018	Year ended December 31, 2018	Year ended December 31, 2017
Net income (loss) attributable to the Company	25.4	2.2	(8.9)	(264.9)
Add back:				
Loss on termination of vessel lease, net of cash paid	—	—	5.8	3.3
Vessel impairment loss	—	—	—	164.2
Goodwill impairment loss	—	—	—	112.8
Unrealized loss on marketable securities	5.4	—	5.7	—
Loss on derivatives	4.7	—	4.7	3.3
			—	
Less:			—	
Gain on derivatives	—	(2.0)	(9.0)	(2.5)
Share of results of associated company	(0.2)	—	(0.2)	—
Unrealized gain on marketable securities	—	(1.4)	(2.2)	—
Release of accrued dry docking costs	—	—	(2.1)	—
Gain on sale of shares	—	—	(1.0)	—
Gain on termination of lease	(8.9)	(7.2)	(16.1)	(20.6)
Net (loss) income attributable to the Company adjusted for certain non-cash items	26.3	(8.4)	(23.3)	(4.4)
(in thousands)				
Weighted average number of ordinary shares	169,813	169,809	169,810	169,809
(in $)				
Basic (loss) earnings per share	0.15	0.01	(0.05)	