

Edgar Filing: FRONTLINE LTD / - Form 6-K

FRONTLINE LTD /
Form 6-K
August 30, 2002

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 August, 2002

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 Form 20-F or Form 40-F

Form 20-F 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

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 August 22, 2002.

Attached as Exhibit 2 is a copy of a letter from the Company dated August 30,
2002 which accompanies the Second Quarter 2002 Report to Shareholders as
transmitted to the Securities and Exchange Commission.

Exhibit 1

FRONTLINE LTD.

INTERIM REPORT APRIL - JUNE 2002

SECOND QUARTER AND SIX MONTH RESULTS

Frontline Ltd. reports earnings before interest, tax, depreciation, and
amortisation including earnings from associated companies (EBITDA) of \$38.2
million and a net loss of \$31.8 million for the second quarter of 2002. The net

Edgar Filing: FRONTLINE LTD / - Form 6-K

loss figure includes losses of \$2.4 million related to the ordinary ship operating activities and losses of \$29.4 million as a result of non ship operating activities whereof the main factor is an unrealised foreign currency loss due to revaluation of Yen debt. The loss per share for the quarter was \$0.42.

The average daily time charter equivalents ("TCEs") earned by VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$17,000, \$17,600 and \$15,300, respectively, compared with \$20,600, \$16,500 and \$18,000, respectively in the immediately preceding quarter. These TCEs include vessels trading on the spot market and on time charters. Average daily ship operating expenses are in line with budget with the increased total expense in the second quarter reflecting the drydocking of five vessels.

Net interest expense for the quarter was \$16.7 million (2001 second quarter - \$19.3 million). This compares with \$15.1 million the first quarter of 2002, the increase arising from the delivery of two newbuildings during the first quarter. Other financial items for the quarter were negative \$4.8 million which includes a \$1.7 million charge for the market value adjustment on interest rate swaps and a \$4.5 million charge for the market value adjustment on the Company's Equity Swap Line. The strengthening of the Yen against the US Dollar in the second quarter of 2002 resulted in an unrealised foreign currency exchange loss of \$13.8 million due to the revaluation of Yen debt in certain subsidiaries. In the second quarter of 2002, the \$9.5 million negative share of results from associated companies also includes approximately \$7.1 million unrealised exchange loss on Yen debt.

The Company has in the first half of 2002 reduced its Yen debt and capital lease obligations (including our share of associated companies) from JPY 37.6 billion by the end of last year to JPY 26.1 billion as of June 30. A significant part of the remaining exposure is linked to the non-recourse subsidiary Golden Ocean and to vessels, which have secured charter income in Yen. Accountingwise this contract coverage is not used to offset the loss mentioned.

For the first six months of 2002, the Company had EBITDA of \$95.0 million (2001 - \$351.8 million) and reports a net loss of \$16.9 million. This compares with a first half net income of \$299.8 million in 2001 (including \$32.3 million relating to the cumulative effect of a change in accounting policy). Loss per share for the 2002 year to date is \$0.22 (2001 first half - earnings per share of \$3.89).

Net interest expense for the six month period was \$31.8 million (2001 first half - \$41.1 million). The foreign exchange loss for the six month period was \$12.1 million, reduced from \$19.0 million gain at June 30, 2001.

THE MARKET

The soft tanker market at the end of the first quarter continued into the second quarter. Rates improved somewhat in May but fell back again in June influenced by among others a reduced Iraqi production. Rates have improved somewhat after June but the whole market has remained lacklustre and earnings for crude oil tonnage have been unsatisfactory. The OPEC production has been curtailed in order to support the oil price in a market which has shown weak oil demand. The lack of crude oil cargoes out of the Middle East Gulf has put pressure on VLCC rates. This has led to increased VLCC activity in the Atlantic basin which in turn has negatively affected rates for other categories of crude oil carriers.

The activity of scrapping in the early part of the year has slowed down somewhat. So far this year 30 VLCCs have been scrapped, while 20 VLCCs have been delivered from the yards. For the Suezmax segment 12 ships have been scrapped while 12 ships have been delivered. Order books currently stand at 71 VLCCs and 65 Suezmaxes for delivery until the middle of 2005. Very few newbuilding orders

Edgar Filing: FRONTLINE LTD / - Form 6-K

have been placed in the period. After a significant fall in newbuilding prices last year it seems like the prices have flattened out supported partly by a stronger Yen and Won.

CORPORATE AND OTHER MATTERS

In June 2002, the Company sold four drybulk vessels with delivery of two vessels to the buyer in June and two in July. The sale of these four vessels releases approximately \$16 million in liquidity, of which \$9 million in the second quarter.

In early July 2002, the Company together with joint venture partners, took delivery of one VLCC newbuilding, Hakata, in which the Company has a one third share. Excluding this vessel, at June 30, 2002 the Company has four newbuilding VLCCs on order. The three ships to be delivered in 2002 have already received committed financing. Remaining equity investment in the newbuilding program is estimated to \$11 million in the third quarter, \$7 million in the fourth quarter and \$9 million in 2003.

In July 2002, the Company has entered into an agreement to timecharter in four 1999-2000 built double-hull VLCCs from British Petroleum ("BP"). The Company has also entered into a contract of affreightment with BP whereby Frontline will provide transportation for all BP Group VLCC cargoes worldwide.

At June 30, 2002, and for the quarter then ended, 76,466,566 ordinary shares were outstanding (as at June 2001, 76,912,566 and for the quarter then ended, 76,943,910). At June 30, 2002, the Bank of Nova Scotia Group had acquired 2,620,000 Frontline shares pursuant to the existing Equity Swap Line, of which 520,000 have been acquired in the first half of 2002.

The Board is seeking to benefit from opportunities created by the weak market conditions. It is, however, a limitation to the Board's willingness to grow the company further that the current share price of Frontline only reflects 40 per cent of the Book value of the shares.

In Frontline's 20 F for 2001 the situation around Golden Ocean's VLCC, Golden Stream, was described. The Board is pleased to report that Frontline's non recourse subsidiary Golden Ocean for the time being has reached an agreement with the lenders to the VLCC Golden Stream. The loans to Golden Stream have been extended on a pay as you earn basis. The ship is still operated as a part of the Frontline fleet.

The Board is comfortable with the Company's financial position. The fact that the Company in the period 2000-01 totally made \$697 million in profit has substantially strengthened the Company compared to the last down cycle. The daily cash break even for the fleet has been reduced with approximately \$4,000 per day, and the Company's cash liquidity has increased with approximately 50 per cent since the last down cycle in 1998-99. The book solidity in the Company has increased from 32 per cent in 1999 to 41 per cent in 2002. The shareholders should be assured that the Board continuously is working with the target of lowering the cash break even further. This can be achieved through reduced costs as well as through improved debt repayment profiles.

OUTLOOK

In our last quarterly report we expected recovery in oil demand and, as a consequence, increased chartering activity and rate improvements to take effect starting in the third quarter of 2002. The absence of economic recovery in important consumption areas combined with continued high crude oil prices, and a backwardation in the oil market have, however, hampered oil consumption and demand for transportation. The overall tanker fleet in dwt is today at the same level as it was when the market peaked in 2000. The Opec production is, however,

Edgar Filing: FRONTLINE LTD / - Form 6-K

reduced with more than 4 million barrels per day since the peak. Any substantial improvement in tanker rates will highly depend on increased Opec production.

The Board is pleased with the fact that the Company even in these weak market conditions can produce a core net income from the ordinary shipping activities, which is only \$ 2.4 million under break even.

The Board expects currents rate levels to be supported against further falls by the uneconomical operation of the old turbine tankers. This sets the basis for the results for the third quarter. Based on a likely increase of Opec production in the fourth quarter the Board remains cautiously optimistic that the results for the last part of the year again will show a positive development.

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 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 charter hire 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.

August 22, 2002
The Board of Directors
Frontline Ltd.
Hamilton, Bermuda

Questions should be directed to:

Contact: 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

Tor Olav Tr0im: Director and Vice-President, Frontline Ltd
+47 906 88267

FRONTLINE GROUP SECOND QUARTER REPORT (UNAUDITED)

2001	2002	INCOME STATEMENT
Apr-Jun	Apr-Jun	(in thousands of \$)

Edgar Filing: FRONTLINE LTD / - Form 6-K

186,256	92,798	Net operating revenues
15,300	(2,269)	Gain (loss) from sale of assets
33,109	30,451	Ship operating expenses
10,509	9,754	Charterhire expenses
2,884	2,655	Administrative expenses
155,054	47,669	Operating income before depreciation and amortisation
29,248	34,774	Depreciation and amortisation
125,806	12,895	Operating income after depreciation and amortisation
3,207	2,877	Interest income
(22,555)	(19,536)	Interest expense
4,391	(9,451)	Share of results from associated companies
32	(4,759)	Other financial items
(3,355)	(13,802)	Foreign currency exchange gain (loss)
107,526	(31,776)	Income (loss) before taxes and minority interest
(15)	(1)	Taxes
45	-	Minority interest
-	-	Cumulative effect of change in accounting principle
107,496	(31,775)	Net income (loss)
		Earnings (loss) Per Share Amounts (\$)
\$1.40	\$(0.42)	EPS before cumulative effect of change in accounting principle
-	-	Cumulative effect of change in accounting principle
\$1.40	\$(0.42)	EPS

Income on timecharter basis (\$ per day per ship)*

51,400	17,000	VLCC
36,500	17,600	Suezmax
33,400	15,300	Suezmax OBO

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

BALANCE SHEET
(in thousands of \$)

ASSETS

Short term

Cash and cash equivalents

Other current assets

Long term

Newbuildings and vessel purchase options

Vessels and equipment, net

Vessels under capital lease, net

Investment in associated companies

Goodwill

Deferred charges and other long-term assets

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Short term

Short term interest bearing debt

Current portion of obligations under capital lease

Edgar Filing: FRONTLINE LTD / - Form 6-K

Other current liabilities	
Long term	
Long term interest bearing debt	1,
Obligations under capital lease	
Other long term liabilities	
Minority interest	
Stockholders' equity	1,
Total liabilities and stockholders' equity	2,

STATEMENT OF CASHFLOWS
(in thousands of \$)

OPERATING ACTIVITIES

Net income (loss)
Adjustments to reconcile net income to net cash provided by operating activities
Depreciation and amortisation
Unrealised foreign currency exchange (gain) loss
Gain or loss on sale of assets
Results from associated companies
Adjustment of financial derivatives to market value
Change in operating assets and liabilities
Net cash provided by operating activities

INVESTING ACTIVITIES

Additions to newbuildings, vessels and equipment
Advances to associated companies, net
Purchase of minority interest
Proceeds from sale of assets
Net cash provided by (used in) investing activities

FINANCING ACTIVITIES

Proceeds from long-term debt, net of fees paid
Repayments of long-term debt
Repayment of capital leases
Dividends paid
Issue of shares, net
Net cash used in financing activities

Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at start of period
Cash and cash equivalents at end of period

Exhibit 2

[LETTERHEAD OF FRONTLINE LTD.]

August 30, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington D.C. 20549
USA

Edgar Filing: FRONTLINE LTD / - Form 6-K

Dear Sirs,

Frontline Ltd. (the "Registrant")
File No. 022704

We refer to the accompanying periodic report on Form 6-K. To the best of the knowledge of each of the undersigned, this report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934. The information contained in this report fairly presents in all material respects the Registrant's financial condition and results of operations as of the periods stated therein.

Yours faithfully,

/s/ John Fredriksen

John Fredriksen
President and Chief Executive officer

/s/ Tor Olav Troim

Tor Olav Troim
Vice President

/s/ Kate Blankenship

Kate Blankenship
Chief Accounting Officer

/s/ Tom Jebsen

Tom Jebsen
Chief Financial Officer, Frontline Management AS

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 authorised.

Frontline Ltd.

(Registrant)

Date August 30, 2002

By /s/ Kate Blankenship

Kate Blankenship
Secretary and Chief Accounting Officer

02089.0009 #346598