FRONTLINE LTD /
Form 6-K
May 28, 2014

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 May 2014

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 to this Report on Form 6-K are the unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations of Frontline Ltd. (the "Company") for the three months ended March 31, 2014.

This Report on Form 6-K is hereby incorporated by reference into the Company's Registration Statement on Form F-3 (Registration No. 333-185193), declared effective by the Securities and Exchange Commission on February 11, 2013.

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: May 28, 2014

By: /s/ Inger M. Klemp
Name: Inger M. Klemp
Title: Principal Financial Officer

EXHIBIT 1

FRONTLINE LTD.

As used herein, "we," "us," "our", "Frontline" and "the Company" all refer to Frontline Ltd.. This management's discussion and analysis of financial condition and results of operations should be read together with the discussion included in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2013.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2014

General

Frontline Ltd. (the "Company" or "Frontline") is an international shipping company incorporated in Bermuda as an exempted company under the Bermuda Companies Law of 1981 on June 12, 1992. Up to February 2013, the Company was engaged primarily in the operation of oil tankers and oil/bulk/ore, or OBO carriers, which were configured to carry dry cargo. The Company owns and leases these vessels. As of December 31, 2012, all of the Company's OBO capital lease assets have been disposed of except for one OBO capital lease asset which was terminated in March 2013. The Company operates oil tankers of two sizes: VLCCs, which are between 200,000 and 320,000 dwt, and Suezmax tankers, which are vessels between 120,000 and 170,000 dwt. The Company operates through subsidiaries and partnerships located in the Bahamas, Bermuda, the Cayman Islands, India, the Philippines, the Isle of Man, Liberia, Norway, the United Kingdom and Singapore. The Company is also involved in the charter, purchase and sale of vessels.

The Company's Ordinary Shares are listed on the New York Stock Exchange, the Oslo Stock Exchange and the London Stock Exchange under the symbol of "FRO".

In October 2003, the Company established Ship Finance International Limited ("Ship Finance") in Bermuda. Through transactions executed in January 2004, the Company transferred to Ship Finance ownership of 46 vessel-owning entities each owning one vessel and its corresponding financing, and one entity owning an option to acquire a VLCC. The Company then leased these vessels back on long-term charters. Between May 2004 and March 2007, the Company distributed all of its shareholding in Ship Finance to its shareholders except for 73,383 shares, which represents 0.01% of Ship Finance's total shares.

In February 2008, the Company spun off 17.53% of its holding in its subsidiary Independent Tankers Corporation Limited ("ITCL") to Frontline shareholders in conjunction with the listing of ITCL on the Norwegian over-the-counter ("NOTC") market.

The Company completed a restructuring of its business in December 2011. The restructuring included the sale of 15 wholly-owned special purpose companies ("SPCs"), which together owned five VLCC newbuilding contracts, six VLCCs, including one on time charter, and four Suezmax tankers to Frontline 2012 Limited ("Frontline 2012"). The sale of these SPCs resulted in a loss of $307.0 million, which was recorded in 2011. In addition, the Company obtained agreements with its major counterparts whereby the gross charter payment commitment under existing chartering arrangements on 32 vessels was reduced.

As of March 31, 2014, our tanker fleet consisted of 32 vessels, including eight vessels owned through our majority-owned subsidiary, ITCL, comprised of 22 VLCCs and 10 Suezmax tankers, which were either owned or chartered in. We also had two Suezmax newbuildings on order, six VLCCs and six Suezmax tankers under commercial management.

Results of Operations

Amounts included in the following discussion are derived from our unaudited condensed consolidated financial statements for the three months ended March 31, 2014 and March 31, 2013.

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Total operating revenues and voyage expenses and commissions

(in thousands of $)	Three months ended March 31, 2014	2013
Time charter revenues	3,277	7,841
Bare boat charter revenues	5,068	7,607
Voyage charter revenues	153,655	104,397
Other income	7,998	6,058
Total operating revenues	169,998	125,903
Voyage expenses and commissions	80,701	70,150

Time charter revenues decreased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- A decrease of $3.6 million due to the redelivery of one VLCC from time charter in September 2013. This vessel was chartered-in by the Company and the long term charter party was terminated in November 2013.
- A decrease of $0.9 million due to the redelivery of one Suezmax tanker from time charter in June 2013.

Bareboat charter revenues decreased by $2.5 million in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 due to the termination of the bareboat charters on two VLCCs in March 2013 and March 2014.

Voyage charter revenues increased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- An increase of $30.0 million due to an increase in market rates.
- An increase of $16.9 million due to a decrease in off-hire and waiting days.
- An increase of $4.7 million due to the redelivery of one Suezmax tanker from time charter.
- An increase of $3.6 million due to the redelivery of two VLCCs from bareboat charters in March 2013 and March 2014.

These factors were partially offset by:

- One VLCC and one Suezmax tanker which were chartered-in, were redelivered by the Company in May 2013 and February 2013, respectively, resulting in a decrease in revenues of $6.0 million.

The increase in other income in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 is primarily due to an increase in income earned from the commercial management of related party and third party vessels and an increase in administrative revenues derived from related parties and third parties.

Voyage expenses and commissions increased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- An increase of $11.8 million in costs due to the reduction in off-hire and waiting days, plus additional commissions as a result of higher market rates.
- An increase of $3.2 million due to the redelivery of one Suezmax tanker from time charter in June 2013.
- An increase of $1.8 million due to the redelivery of two VLCCs from bareboat charters in March 2013 and March 2014, one of which was sold in March 2014.

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These factors were partially offset by:

- The redelivery of one VLCC and one Suezmax tanker chartered in under capital leases, resulting in a decrease in voyage expenses of $3.5 million.
- The redelivery of one VLCC chartered in under operating lease, resulting in a decrease in voyage expenses of $2.6 million.

Gain from sale of assets and amortization of deferred gains

	Three months ended March 31,	
(in thousands of $)	2014	2013
Net gain on lease terminations	—	7,410
Loss on sale of assets	(15,727)	—
Amortization of deferred gains	—	1,801
	(15,727)	9,211

The loss on sale of assets in the three months ended March 31, 2014 is attributable to the sale of the Ulysses (ex Phoenix Voyager) in March 2014.

The net gain on lease terminations in the three months ended March 31, 2013 comprises a gain of $7.6 million resulting from the termination of the long-term charter party for the Edinburgh (ex Titan Aries) and a loss of $0.2 million resulting from the termination of the long-term charter party for the Front Pride.

The amortization of deferred gains in the three months ended March 31, 2013 represents the amortization of the deferred gains resulting from the sales and lease backs of the Front Shanghai (renamed Gulf Eyadah) and the Front Eagle (renamed DHT Eagle).

Ship operating expenses

	Three months ended March 31,	
(in thousands of $)	2014	2013
VLCC	17,969	20,917
Suezmax	5,083	5,960
Total ship operating expenses	23,052	26,877

Ship operating expenses are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, dry dockings, lubricating oils and insurance.

VLCC operating costs decreased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- A decrease in dry docking costs of $1.7 million due to the drydocking of two vessel in 2014 compared to three vessels in 2013.
- A decrease of $1.6 million due to the termination of the long term charter parties in November 2013 of two double hull vessels, which had been chartered-in.
- A decrease of $0.9 million due to the redelivery of two single hull vessels chartered in under operating lease

These factors were partially offset by an increase of $1.1 million due to the redelivery to the Company of two VLCCs chartered out on bareboat contracts

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Suezmax operating costs decreased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- The redelivery of one vessel chartered in under capital lease, resulting in a decrease of $0.4 million.
- A $0.3 million reduction in dry docking costs as no vessels were dry docked in 2014 compared to one in 2013.

Contingent rental expense (income)

	Three months ended March 31,	
(in thousands of $)	2014	2013
Contingent rental expense (income)	13,023	(302)

The contingent rental expense (income) represents amounts accrued following changes to certain charter parties. In December 2011, the Company and Ship Finance agreed to a rate reduction of $6,500 per day for all vessels leased from Ship Finance under long-term leases for a four year period that commenced on January 1, 2012. The Company compensates Ship Finance with 100% of any difference between the renegotiated rates and the average vessel earnings up to the original contract rates. In December 2011, the Company also agreed to a rate reduction on four vessels leased from German KG companies whereby the Company will pay a reduced rate and an additional amount dependent on the actual index rate.

In the three months ended March 31, 2014 the contingent rental expense relating to the four vessels leased from German KG companies and the Ship Finance vessels was $1.3 million and $11.7 million, respectively. In the three months ended March 31, 2013, there was a claw back (i.e income) of $0.3 million relating to the four vessels leased from German KG companies and the contingent rental expense relating to the Ship Finance vessels was nil.

Charter hire expense

	Three months ended March 31,	
(in thousands of $)	2014	2013
Charter hire expense	—	3,973

The charter hire expense in the three months ended March 31, 2013 was attributable to one double-hull VLCC. This agreement was terminated in May 2013.

Administrative expenses

	Three months ended March 31,	
(in thousands of $)	2014	2013
Administrative expenses	9,070	8,431

Administrative expenses have increased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to an increase ship management expenses incurred on behalf of related parties.

Depreciation

	Three months ended March 31,	
(in thousands of $)	2014	2013
Depreciation	22,846	26,112

Depreciation expense has decreased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the redelivery of two VLCCs, chartered in under capital leases, in November 2013.

Interest income

	Three months ended March 31,	
(in thousands of $)	2014	2013
Interest income	7	33

Interest income in the three months ended March 31, 2014 and March 31, 2013 relates solely to interest received on bank deposits.

Interest expense

	Three months ended March 31,	
(in thousands of $)	2014	2013
Interest expense	(21,565)	(22,618)

Interest expense decreased in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily due to the following reasons:

- Finance lease interest expense decreased by $2.0 million due the redelivery of two VLCC, chartered in under capital leases, in November 2013. Furthermore, finance lease interest decreased by $0.7 million due to the reduction of lease obligations as a result of payments made during 2013.

These factors were partially offset by:

- A $1.4 million increase as a result of the interest charged on the notes payable to Ship Finance, which were issued following the early termination of the leases on Front Champion and Golden Victory.
- An increase in loan interest expense of $0.6 million as a result of the of the amortization of the debt discount on the 7.84% First Preferred Mortgage Term Notes

Share of results from associated companies

	Three months ended March 31,	
(in thousands of $)	2014	2013
Share of results from associated companies	562	4,681

As of March 31, 2014, the Company accounted for four investees (March 31, 2013: four investees) under the equity method.

The Company recognized a gain of $5.2 million in the first quarter of 2013 on the dilution of its ownership in Frontline 2012 from 7.9% to 6.3% following the private placement by Frontline 2012 in January 2013. In the first quarter of 2014 the gains solely relate to earnings and losses of associated companies, of which $0.8 million relates to Frontline 2012.

Mark to market loss on derivatives

	Three months ended March 31,	
(in thousands of $)	2014	2013
Mark to market loss on derivatives	—	(585)

The mark to market loss on derivatives in 2013 relates to the Company's trading in freight forward agreements ("FFAs"). The Company ceased trading FFAs in March 2013.

Other non-operating items

	Three months ended March 31,	
(in thousands of $)	2014	2013
Other non-operating items	306	282

Other non-operating items net in the three months ended March 31, 2014 and March 31, 2013 primarily relate to the of amortization of deferred gains.

Net loss attributable to noncontrolling interest

	Three months ended March 31,	
(in thousands of $)	2014	2013
Net loss attributable to noncontrolling interest	3,127	280

Net loss attributable to noncontrolling interest represents the noncontrolling interest's 17.53% interest in the loss of ITCL in the relevant period.

Net loss from discontinued operations

	Three months ended March 31,	
(in thousands of $)	2014	2013
Net loss from discontinued operations	—	(549)

The net loss in the three months ended March 31, 2013 relates to the Front Guider and includes a loss on the termination of the lease in March 2013 of $0.8 million.

Liquidity and Capital Resources

Net cash provided by operating activities was $21.2 million in the three months ended March 31, 2014 compared with net cash used in operating activities of $28.6 million in the three months March 31, 2013. No contingent rental expense was paid in the three months ended March 31, 2014 compared with $52.2 million in the three months ended March 31, 2013. The Company's reliance on the spot market contributes to fluctuations in cash flows from operating activities as a result of its exposure to highly cyclical tanker rates. Any increase or decrease in the average time charter equivalent ("TCE") rates earned by the Company's vessels in periods subsequent to March 31, 2014 compared with the actual TCE rates achieved during the three months ended March 31, 2014, will have a positive or negative comparative impact, respectively, on the amount of cash provided by operating activities. The Company's cash position increased from $53.8 million to $111.2 million during the three months ended March 31, 2014.