FRONTLINE LTD /
Form 6-K
August 04, 2003

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, 2003

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 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 August 4, 2003.

Exhibit 1

Frontline Ltd.
Interim Report April - June 2003

SECOND QUARTER AND SIX MONTH RESULTS

Frontline Board is pleased to announce a second consecutive quarter of strong earnings.

Frontline Ltd. reports net operating income before depreciation of $174.0

million and net income of $155.1 million for the second quarter of 2003. Earnings per share for the quarter were $2.04.

Net operating revenues decreased by 12 per cent compared with the first quarter of 2003. The average daily time charter equivalents ("TCEs") earned in the spot and period market by the Company's VLCCs, Suezmax tankers, and Suezmax OBO carriers were $46,000, $39,600 and $35,200, respectively, compared with $$55,400, $40,800 and $42,400, respectively in the immediately preceding quarter. In the second quarter the Company recorded a provision for loss on sale of assets of $4.3 million, relating to the sale, in the third quarter, of its shares in two vessels owned through joint ventures.

Net interest expense for the quarter was $13.8 million (2002 comparable quarter: $15.6 million). Other financial items for the quarter were positive $18.0 million of which $17.1 million is attributable to the gain recorded on the settlement of the Bank of Nova Scotia Equity Swap Line. In the second quarter of 2003, the Yen was largely unchanged against the US Dollar, resulting in only a small foreign currency impact for the Company on the Yen debt in subsidiaries and associated companies.

For the six months ended June 30, 2003 the Company reports net operating income before depreciation of $379.8 million and net income of $334.7 million. Earnings per share for the six months were $4.39. This is the best half year result ever achieved by the Company.

The average daily TCEs earned in the spot and period market by the Company's VLCCs, Suezmax tankers, and Suezmax OBO carriers in the six months were $50,700, $40,200 and $38,700, respectively. As of August 4, 2003, Frontline has cash breakeven rates for VLCCs and Suezmaxes of $20,600 and $14,100, respectively.

The results for the periods of 2002 presented have been restated, principally to reflect the adoption of Financial Accounting Standard 142 "Goodwill and Other Intangible Assets". The Company adopted FAS 142 effective January 1, 2002 as disclosed in the preliminary fourth quarter and financial year 2002 report.

THE MARKET

The very strong charter rates experienced in the first quarter gradually came down in the second quarter but still remained at a healthy level. Only towards the very end of the quarter did a seasonal reduction in transportation demand take its toll resulting in a reduction of rates that has continued into the summer. Through the first half of the year rates have been very volatile at high levels. The favourable conditions are explained partly by seasonal effects such as a very cold winter in the Northern Hemisphere and by political events such as the strike in Venezuela, unrest in West Africa and the war in Iraq. The market improvement over last year is also related to a general demand increase and increase in OPEC production. The volatility is most likely the effect of the trend towards lower global oil inventories which has resulted in sharper swings in transportation demand as the requirement for oil "just-in-time" has become increasingly important. The fact that the crude oil fleet capacity has remained more or less unchanged has contributed to a favorable supply-demand balance.

Scrapping activity increased in the quarter and to date this year 20 VLCCs and ULCCs and 7 Suezmaxes have been sold for scrap compared with 23 VLCC and 9 Suezmax newbuilding deliveries. Order books stand at 72 VLCCs and 65 Suezmaxes for delivery into mid 2006. It is expected that the new EU regulations for tankers will accelerate the removal of the remaining 1970's built crude oil tankers which have also lost their main trade with the change of the regime in Iraq.

The International Maritime Organization (IMO) has recently met to consider the newly introduced EU rules. It seems likely that the IMO will tighten their existing rules later this year in order to be more in line with the new EU rules. This will be of special importance for the phase-out of single hull tonnage presently scheduled for 2015 in the IMO rules and 2010 in the EU rules.

The strength in the overall shipping markets and particularly the recovery of the container market, has led to increased ordering and well-filled order books for the yards. The earliest delivery of large tonnage is now estimated to be 2006 - 2007. Second-hand prices as well as newbuilding prices have moved slightly upwards in the quarter.

CORPORATE AND OTHER MATTERS

On August 4, 2003, the Board declared a dividend of $1.10 per share. The record date for the dividend is August 18, 2003, ex dividend date is August 14, 2003 and the dividend will be paid on or about September 2, 2003. The dividend consists of $0.25 per share in normalised dividend and an extra dividend of $0.85 per share reflecting the strong earnings achieved in the quarter. The Board maintains its long-term strategy of retaining approximately $200 million in free liquidity.

In June 2003, the Company sold two of its 2001 built Suezmax tankers, the Front Melody and Front Symphony, to two German K/Gs promoted by Dr. Peters GmbH. The vessels will be chartered back on 12.5 years time charter arrangements, including options for the Company to buy back the vessels at the end of the charter period. The sale of these two vessels generated cash of approximately $39 for the Company and a gain on sale of approximately $7 million that is being recognized over the term of the charter.

In June 2003, the Company agreed to sell two 2000 built Suezmax tankers, the Front Sun and the Front Sky to OMI Corporation (OMI), for $49.25 million per vessel, consisting of $43.25 million cash and one million shares of OMI common stock valued at $6.00 per share, with a share price guarantee from OMI at $5.70 over a six month period. Frontline will pay to OMI any shortfall of time charter equivalent earnings per vessel below an average of $20,000 per day for one year from delivery. Deliveries to OMI are expected in August 2003. Both vessels will continue in Alliance Chartering, the co-operation between OMI and Frontline. The sale of these vessels will generate cash of approximately $39 for the Company in addition to receiving 2,000,000 OMI shares and a gain on sale of approximately $4 million.

In June 2003, the Company acquired for $9.5 million the remaining 50 per cent interest in the VLCC New Circassia which is now wholly-owned by the Company.

In June 2003, the Company agreed with its partners, Euronav Luxembourg SA (Euronav) and Overseas Shipholding Group, Inc. (OSG), to swap interests in six joint companies, which each own a VLCC. These agreements will result in the Company selling its interest in the vessel Pacific Lagoon to Euronav; acquiring, jointly with OSG, Euronav's interest in the Ariake and Sakura I increasing its share in such vessels to 50.1 per cent each; and exchanging its interest in the Ichiban (33.33 per cent) with Euronav for a portion of Euronav's interest in the Tanabe and Hakata increasing its interest in these vessels to 50.1 per cent each. OSG will continue as partner with remaining interest in four vessels. Commercial management for Ariake and Sakura I will be transferred from the Tankers International Pool to Frontline in Oslo.

On July 1, 2003, the Company, through its non-recourse subsidiary Golden Ocean Group Limited (GOGL), entered into an option agreement with Hemen Holding Ltd (Hemen). The option agreement gives GOGL the right to acquire all shares in Independent Tankers Corporation ("ITC") from Hemen for a total consideration of $4.0 million plus 4 per cent interest per year. ITC operates a total of six VLCCs and four Suezmaxes which are on long term charters to BP and Chevron. Hemen is a holding company indirectly controlled by Frontline's Chairman, John

Fredriksen. GOGL has paid $10.0 million for the option, which expires on July 1, 2010. The total book value of ITC's consolidated assets was $964 million as of December 31, 2002. A previous option agreement between the Company and Hemen relating to ITC, and with a strike price of $14.0 million, lapsed on July 1, 2003.

The Company's last remaining newbuilding VLCC was delivered in July 2003, and financed through traditional bank financing. The Company has no other material capital commitments.

In June 2003, the Company exercised its call option on the Frontline shares held by the Bank of Nova Scotia. This transaction involved the Company acquiring 3,070,000 shares at a cost of $8.97 per share. These Frontline shares were immediately cancelled upon acquisition by the Company. During the first quarter of 2003, the Company issued 63,000 shares in connection with the exercise of employee share options and at June 30, 2003, 73,473,066 ordinary shares were outstanding and the weighted average number of shares outstanding for the quarter and six months was 76,108,176 and 76,288,141, respectively.

OUTLOOK

The Tanker market has shown a negative development so far in the third quarter. This situation reflects the facts that we are going through the traditionally weakest seasonal demand and no material increase in worldwide storage has occurred. The number of monthly VLCC cargoes fixed in the spot market has been around 100 but there has been a trend whereby more relets from the major Asian oil consumers have competed with the normal spot fleet. This situation is expected to improve in September when the Asian consumers normally start to increase their storage in order to meet winter demand.

Low oil inventories in the United States, as well as in Europe, provide a fundamental strength to the market and make any negative development in OPEC production unlikely. The negative development in North Sea Production seen in the last few months is an interesting trend and will, over time, lead to replacement with longer haul crude transportation.

The Board is actively looking into the way the Company employs its equity. It is the Board's target to optimise the use of equity through financing solutions that keep the necessary cash break even rates at reasonable historic levels and at the same time preserve a good liquidity buffer. Such financing solutions can include sale-leasebacks, bond financing as well as refinancing with traditional bank financing. Any capital successfully released in such refinancing is, for the time being, likely to be distributed to the shareholders in the form of extraordinary dividend. This is in line with what happened in connection with the June dividend payment.

Approximately 50 per cent of the open capacity for the third quarter is fixed at rates, which for both the Company's vessels classes, are approximately $10,000 per day higher than cash break even. The results achieved so far thereby support the payment of the targeted U$0.25 per share in normalised dividend for the quarter. Any excess dividend for the quarter will be dependent on a positive market development for the remaining part of the quarter.

The Board maintains the market view described in the first quarter report. It is likely that the tanker market, based on the existing tight supply demand balance, will show substantial volatility. The need to increase storage levels to meet the winter demand is likely to push a recovery of rates in September - October. The strength of the likely recovery will depend of such factors as world wide economic growth, weather, the forward oil price curve as well as political developments with special focus on Venezuela, Nigeria and Iraq. A major change in the IMO rules later this year could significantly influence the market and could, combined with a well filled order backlog for the yards, create an improved long term market situation for tanker owners. The Board remains optimistic overall for the development for the rest of the year, as well as the overall outlook for the Company.

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, dry-docking 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 4, 2003
The Board of Directors
Frontline Ltd.
Hamilton, Bermuda

Questions should be directed to:

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FRONTLINE GROUP SECOND QUARTER REPORT (UNAUDITED)

2002 Apr-Jun (restated)	2003 Apr-Jun	INCOME STATEMENT (in thousands of $)	2003 Jan-Jun	2002 Jan-Jun (restated)	Ja (au
87,333	228,993	Net operating revenues	487,935	177,852	4
-	(4,271)	Gain (loss) from sale of assets	(3,778)	-	

28,645	28,918	Ship operating expenses	55,758	53,991	1
9,754	19,303	Charterhire expenses	42,850	19,532	
2,601	2,458	Administrative expenses	5,721	5,020	
46,333	174,043	Operating income before depreciation	379,828	99,309	2
33,661	35,582	Depreciation	70,941	66,477	1
12,672	138,461	Operating income after depreciation	308,887	32,832	
2,947	3,273	Interest income	5,981	5,428	
(18,525)	(17,082)	Interest expense	(35,553)	(35,818)	(
(9,451)	13,287	Share of results from associated companies	30,452	(8,464)	(
(6,142)	18,005	Other financial items	24,849	(424)	
(11,437)	(878)	Foreign currency exchange gain (loss)	127	(11,093)	(
(29,936)	155,066	Income (loss) before taxes and minority interest	334,743	(17,539)	
(2)	(1)	Taxes	(3)	(1)	
-	-	Cumulative effect of change in accounting principle	-	(14,142)	(
(3,152)	-	Discontinued operations	-	(1,518)	
(33,086)	155,067	Net income (loss)	334,746	(33,198)	
		Basic Earnings (loss) Per Share Amounts ($)			
$(0.39)	$2.04	EPS from continuing operations before cumulative effect of change in accounting principle	$4.39	$(0.23)	
$(0.43)	$2.04	EPS	$4.39	$(0.43)	

		Income on timecharter basis ($ per day per ship)*			
17,000	46,000	VLCC	50,700	18,700	22,
17,600	39,600	Suezmax	40,200	17,000	18,
15,300	35,200	Suezmax OBO	38,700	16,600	17,

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

BALANCE SHEET (in thousands of $)	2003 Jun 30	2002 Jun 30 (restated)	D (au
ASSETS			
Short term			
Cash and cash equivalents	244,984	95,149	1
Other current assets	159,202	84,500	1
Long term			
Newbuildings and vessel purchase options	35,333	80,566	
Vessels and equipment, net	2,275,918	2,318,742	2,3
Vessels under capital lease, net	347,756	234,336	2
Investment in associated companies	131,344	112,769	1
Deferred charges and other long-term assets	16,479	16,132	
Total assets	3,211,016	2,942,194	3,0

LIABILITIES AND STOCKHOLDERS' EQUITY			
Short term			
Short term interest bearing debt	156,802	230,009	1
Current portion of obligations under capital lease	16,755	15,198	
Other current liabilities	147,105	50,849	
Long term			
Long term interest bearing debt	1,161,742	1,201,871	1,2
Obligations under capital lease	342,905	218,920	2
Other long term liabilities	33,508	25,722	
Minority interest	-	166	
Stockholders' equity	1,352,199	1,199,459	1,2
Total liabilities and stockholders' equity	3,211,016	2,942,194	3,0

2002 Apr-Jun	2003 Apr-Jun	STATEMENT OF CASHFLOWS (in thousands of $)	2003 Jan-Jun	2002 Jan-Jun	J (a
		OPERATING ACTIVITIES			
(33,086)	155,067	Net income (loss)	334,746	(33,198)	
		Adjustments to reconcile net income to net cash provided by operating activities			
35,667	35,509	Depreciation and amortisation	72,146	69,753	1
14,044	188	Unrealised foreign currency exchange (gain) loss	(1,070)	12,359	
2,269	4,271	Gain or loss on sale of assets	3,778	2,269	
9,451	(13,287)	Results from associated companies	(30,452)	8,464	
6,617	(16,250)	Adjustment of financial derivatives to market value	(22,410)	1,501	
-	-	Change in accounting principle	-	14,142	
-	(3,983)	Other, net	(4,963)	-	
6,863	53,682	Change in operating assets and liabilities	345	(4,249)	(
41,825	215,197	Net cash provided by operating activities	352,120	71,041	1
		INVESTING ACTIVITIES			
(18,395)	(157,899)	Additions to newbuildings, vessels and equipment	(172,213)	(136,937)	(3
(5,660)	226	Advances to associated companies, net	495	(11,202)	(
(447)	-	Purchase of minority interest	-	(6,099)	
31,941	111,942	Proceeds from sale of assets	115,885	42,441	1
7,439	(45,731)	Net cash provided by (used in) investing activities	(55,833)	(111,797)	(2
		FINANCING ACTIVITIES			
49,576	52,149	Proceeds from long-term debt, net of fees paid	51,073	172,755	3
(78,505)	(116,038)	Repayments of long-term debt	(178,141)	(144,658)	(3
(2,950)	(1,853)	Repayment of capital leases	(5,009)	(62,576)	(
-	91,977	Additions to capital leases	91,977	-	
(3,822)	(76,037)	Dividends paid	(87,508)	(19,116)	(
-	(24,045)	Issue of shares, net	(23,993)	223	
(35,701)	(73,847)	Net cash used in financing activities	(151,601)	(53,372)	
13,563	95,619	Net increase (decrease) in cash and cash	144,686	(94,128)	(

		equivalents			
81,586	149,365	Cash and cash equivalents at start of period	100,298	189,277	1
95,149	244,984	Cash and cash equivalents at end of period	244,984	95,149	1

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 4, 2003

By /s/ Kate Blankenship
Kate Blankenship
Secretary and Chief Accounting Officer

02089.0009 #421070