

TAX TREATMENT OF U.S. SHAREHOLDERS OF SHIP FINANCE INTERNATIONAL LIMITED

The following is a brief summary of the material United States federal income tax consequences of (A) a citizen or resident of the United States, (B) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States or of any state or the District of Columbia, (C) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (D) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust (each a “United States Holder”) owning Ship Finance International Limited (“SFL” or the “Company”) common shares as a capital asset. This summary does not purport to deal with the tax consequences of owning common shares to all categories of investors, some of which may be subject to special rules.

TO ENSURE COMPLIANCE WITH TREASURY REGULATIONS REGARDING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, WE INFORM YOU THAT, UNLESS EXPRESSLY STATED OTHERWISE, ANY FEDERAL TAX ADVICE CONTAINED IN THIS SUMMARY WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF (I) AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER UNITED STATES FEDERAL TAX LAW, OR (II) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TAX-RELATED MATTERS ADDRESSED HEREIN. SHAREHOLDERS ARE ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF PURCHASING, HOLDING OR DISPOSING OF COMMON SHARES.

Is SFL a PFIC?

SFL believes that it will not be considered a PFIC for U.S. federal income tax purposes, and therefore the Company’s non-corporate U.S. shareholders will be subject to a lower U.S. federal income tax rate on both dividends paid by the Company and on a sale of their shares.

What is a PFIC?

A non-U.S. corporation is considered to be a PFIC, or “passive foreign investment company” if with respect to a taxable year the corporation (i) at least 75% of the company’s gross income is “passive income” or (ii) at least 50% of the average value of its assets is attributable to assets that produce “passive income” or that are held “for the production of passive income.”

Based on the composition of the charters for its vessels, the Company believes that it is an operating company. Accordingly, the Company believes that it will not be considered a PFIC for the current taxable year.

How will distributions from the Company be treated?

Any distributions made by the Company with respect to the common shares to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described in more detail below, to the extent of the Company’s current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of the Company’s earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder’s tax basis in his common shares on a dollar for dollar basis and thereafter as capital gain. United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from the Company.

Dividends paid on the Company’s common shares to a United States Holder who is an individual, trust or estate (a “United States Individual Holder”) will generally be treated as “qualified dividend income” that is taxable to such United States Individual Holders at preferential tax rates (through 2010) provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the New York Stock Exchange on which the Company’s common shares are traded); (2) the Company is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed above, the Company does not believe it is, has been or will be); (3) the United States Individual Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend, and (4) the United States Individual Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in substantially similar or related positions. There is no assurance that any dividends paid on common shares will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by the Company which are not eligible for these preferential rates will be taxed as ordinary income to a United States Individual Holder.

How will a sale, exchange or disposition of the Company’s common shares be taxed?

A United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of the Company’s common shares in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder’s tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition. A United States Holder’s ability to deduct capital losses is subject to certain limitations.