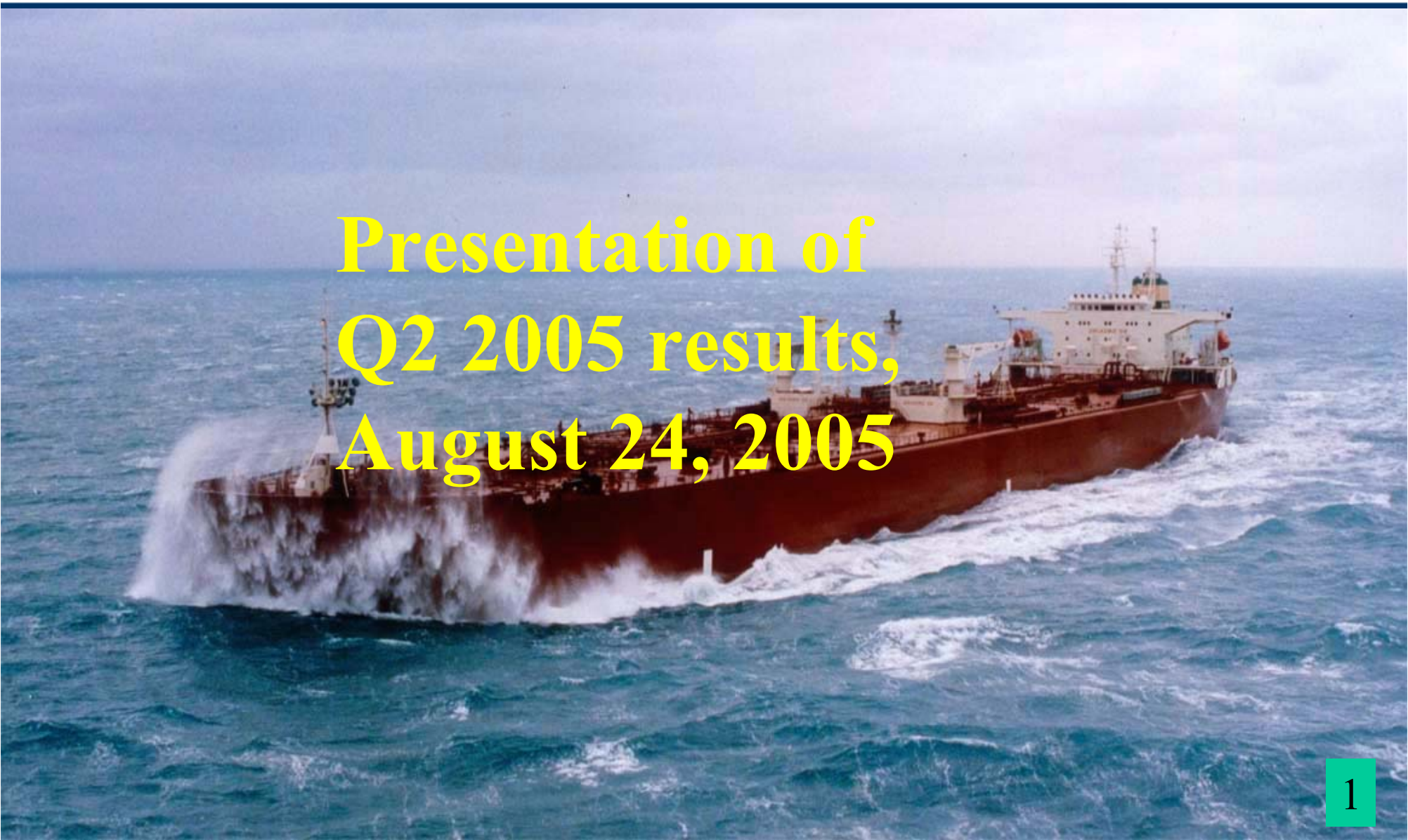
Ship Finance International
LIMITED

www.shipfinance.bm



Presentation of Q2 2005 results, August 24, 2005

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Main events Q2 2005/Q3 2005

•A dividend of $0.50 per share for Q1 2005 was paid out in June,

•A dividend of $0.50 per share for Q2 2005 will be paid out on or about September 20, 2005. The record date for the dividend is September 6, 2005, ex dividend date is September 1, 2005 (ex dividend date is September 2, 2005 in Norway),

•Agreed sale of Front Hunter in June 2005, delivered to the new owners in August 2005,

•Acquired two 2004 built VLCCs; Front Force and Front Energy, and chartered them back to FRO on long term charters in June.

•A new loan facility in the amount of USD 350 million was established in connection with the financing of the 5 new VLCCs,

•In January 2005, Ship Finance exercised its option to acquire the VLCC Oscilla, the vessel was delivered in April and renamed Front Scilla,

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Main events Q2 2005/Q3 2005

•Ship Finance sold three Suezmax tankers, Front Lillo, Front Emperor and Front Spirit, for a total consideration of USD 92.0 million delivered to the new owners in June 2005. At the same time the time charter arrangements between Ship Finance and Frontline were cancelled,

•Concurrently, Frontline sold three Suezmax tankers; Front Target, Front Transporter and Front Traveller to Ship Finance for an aggregate price of USD 92.0 million. The vessels are chartered back to FRO on long term charters,

•In May Ship Finance acquired two new building 1,700 teu Containerships, which was and will be delivered from Wenchong Shipyard in China in May and September this year. The purchase price for each ship is USD 49.25 million. The first ship has already been chartered out to the Korean containership operator Heung A for a period of four years from delivery at a rate of approximately USD 28,000 per day.

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Strategy

- Growth 5-10% p.a.
- Both participation in corporate acquisitions and straight purchases will be considered
- Diversify customer base
- Additional boardmembers / Sarbox requirements

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Growth

Annual revenue base in 2004 USD 385 million

Increase in revenue base

(based on timecharter income in $ million)	Q205	Q305	Full quarter effect
Front Fighter	-1,9	-1,9	-1,9
Front Champion	2,8	2,8	2,8
Front Century	2,8	2,8	2,8
Golden Victory	3,0	3,0	3,0
Front Scilla	2,2	2,3	2,3
Front Force	0,1	2,7	2,7
Front Energy	0,5	2,7	2,7
Sea Alfa	1,1	2,5	2,5
Sea Beta, *)	0,0	0,0	0,0
Front Hunter		-1,1	-1,9
total	10,7	15,9	15,1

16% growth in revenue base in 2005 (excl. the 2nd container vessel)

*) Sea Beta currently unfixed

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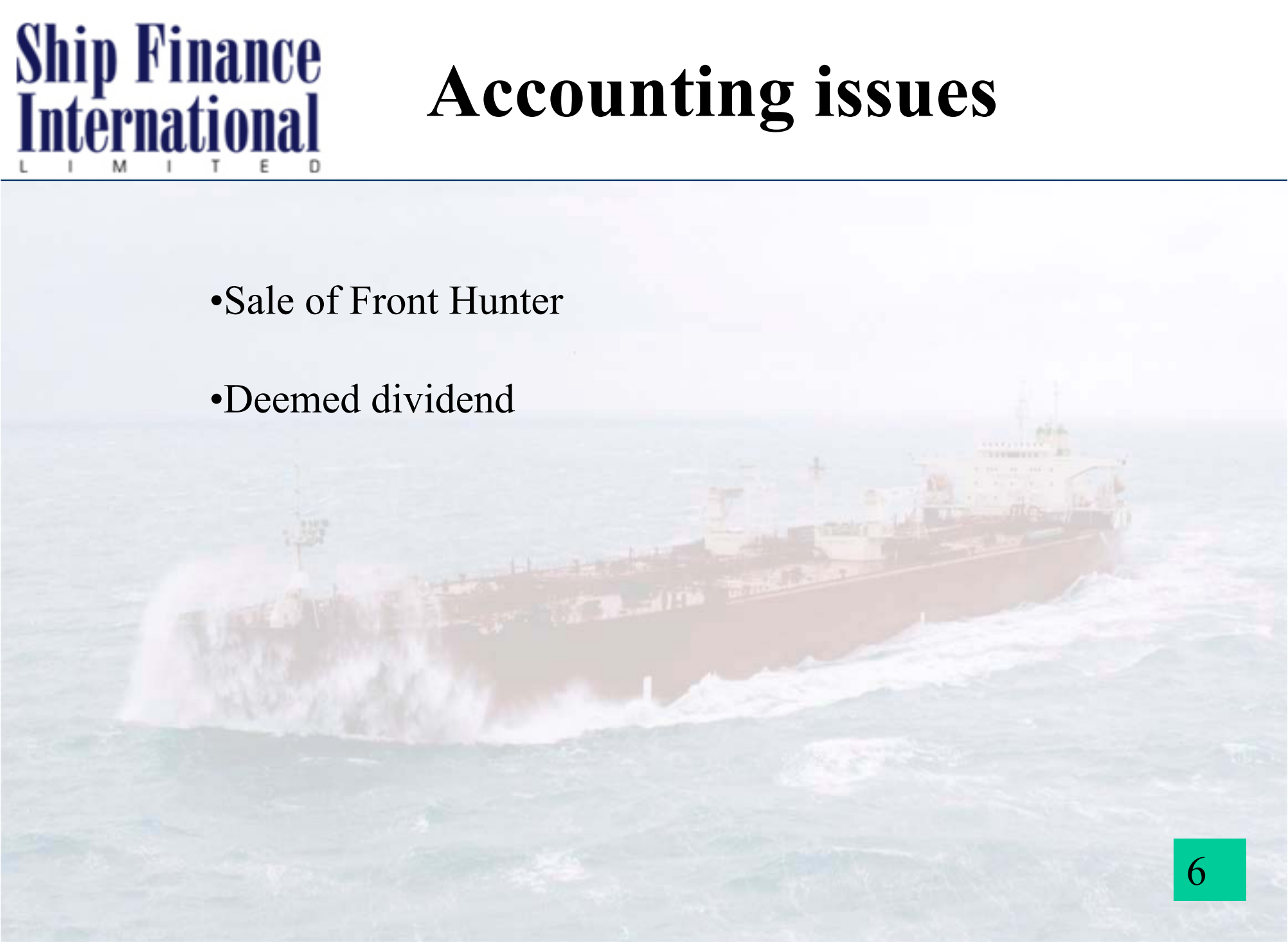
Accounting issues

- Sale of Front Hunter
- Deemed dividend



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Profit & Loss

2004 Apr-Jun	2005 Apr-Jun	INCOME STATEMENT *(in thousands of $ except per share data)*	2005 Jan-Jun	2004 Jan-Jun	2004 Jan-Dec *(audited)*
93,247	**94,309**	**Total operating revenues**	**177,168**	**219,513**	**492,069**
798	1,006	Voyage expenses	1,841	8,971	9,978
23,739	26,339	Ship operating expenses	51,319	48,378	96,505
1,028	217	Administrative expenses	1,085	1,514	3,812
8,515	4,830	Depreciation	9,489	21,785	34,617
34,080	**32,392**	**Total operating expenses**	**63,734**	**80,648**	**144,912**
59,167	**61,917**	**Operating income (loss)**	**113,434**	**138,865**	**347,157**
794	567	Interest income	1,285	2,269	2,567
(23,490)	(24,554)	Interest expense	(58,857)	(48,929)	(95,933)
25,743	(6,655)	Other financial items	5,347	13,991	8,780
(20)	(33)	Foreign currency exchange gain (loss)	(2)	116	88
62,194	**31,242**	**Net income (loss)**	**61,207**	**106,312**	**262,659**
$0.84	**$0.42**	**Basic earnings per share amounts ($)**	**$0.82**	**$1.44**	**$3.52**

Not accounted for profit sharing YTD 2005 in the amount of approx. USD 41.3 million

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Balance sheet

BALANCE SHEET *(in thousands of $)*	2005 Jun 30	2004 Jun 30	2004 Dec 31 *(audited)*
ASSETS			
Short term			
Cash, restricted cash and cash equivalents	52,560	40,025	34,572
Amount due from parent	-	55,254	4,864
Other current assets	111,030	76,374	192,421
Long term			
Newbuildings and vessel purchase options	12,535	8,370	8,370
Vessels and equipment, net	502,282	510,109	236,305
Investment in finance leases	1,703,554	1,417,479	1,641,644
Deferred charges and other long-term assets	30,158	37,394	34,761
Total assets	**2,412,119**	**2,145,005**	**2,152,937**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short term			
Short term and current portion of long term interest bearing debt	118,507	88,843	91,308
Amount due to parent	749	-	-
Other current liabilities	28,744	26,286	8,958
Long term			
Long term interest bearing debt	1,728,518	1,465,431	1,387,586
Other long term liabilities	17,501	-	4,103
Stockholders' equity	518,100	564,445	660,982
Total liabilities and stockholders' equity	**2,412,119**	**2,145,005**	**2,152,937**

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Breakeven rates (USD / day)

	Base Charter Rate	Cash Breakeven
VLCC	25 575	19 915
Suezmax	21 100	14 361
Suezmax OBO	21 100	18 212

Front Century / Front Champion base rate 31,300-31,500 p.d.
Golden Victory base rate 33,800 p.d.

Front Energy / Front Force base rate 29,900-30,000 p.d.

Appendixes

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Sales type lease accounting

- Ship Finance is accounting for 42 of the long term charters to Frontline as sales type leases under U.S. GAAP, while the remaining charters will initially be accounted for as operating leases,
- Cash flow from sale type leases are allocated between interest income on the sales type lease, service income (Management fee) and a reduction in the balance of the sales type lease net investment,
- No depreciation is accounted for on the sales type leases, but rather a capital repayment of the sales type leases,
- The capital repayment element of a sales type lease is based on a reducing balance / constant interest rate. So it begins with a small amount in the initial period of a lease and then increases over time, like an annuity,
- Lease accounting treatment will therefore show high profitability in the early years and then lower profitability in later years