



**Presentation of  
Q3 2005 results,  
November 14, 2005**

## Main events Q3 2005/Q4 2005

- A dividend of \$0.50 per share for Q2 2005 was paid out in September,
- A dividend of \$0.50 per share for Q3 2005 will be paid out on or about December 13, 2005. The record date for the dividend is November 29, 2005 and ex dividend date is November 25, 2005,
- Agreed sale of Front Hunter in June 2005 for total proceeds of USD 71 million. The vessel was delivered to new owners in August 2005,
- The second container vessel; Sea Beta, delivered from the yard on September 29, 2005

# Strategy

- Growth 5-10% p.a.
- Both participation in corporate acquisitions and straight purchases will be considered
- Diversify customer base
- Additional boardmembers / Sarbox requirements / management
- Continuously looking into new projects, also offshore

# Growth

**Annual revenue base in  
2004 USD 385 million**

(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	2,2
Front Hunter		-1,1	-1,9
<b>total</b>	<b>10,7</b>	<b>15,9</b>	<b>17,3</b>

**18% growth in  
revenue base in 2005**

# Accounting issues

- Sale of Front Hunter
- Deemed dividend
  - (1) Operating vessels
  - (2) Vessels sold from FRO to SFL

# Profit & Loss

<b>2004 Jul-Sep</b>	<b>2005 Jul-Sep</b>	<b>INCOME STATEMENT</b> <i>(in thousands of \$ except per share data)</i>	<b>2005 Jan-Sep</b>	<b>2004 Jan-Sep</b>	<b>2004 Jan-Dec (audited)</b>
<b>121,074</b>	<b>118,403</b>	<b>Total operating revenues</b>	<b>295,572</b>	<b>340,587</b>	<b>492,069</b>
795	1,158	Voyage expenses	3,000	9,765	9,978
23,619	31,411	Ship operating expenses	82,729	71,998	96,505
1,315	536	Administrative expenses	1,621	2,829	3,812
7,693	5,193	Depreciation	14,682	29,478	34,617
<b>33,422</b>	<b>38,298</b>	<b>Total operating expenses</b>	<b>102,032</b>	<b>114,070</b>	<b>144,912</b>
<b>87,652</b>	<b>80,105</b>	<b>Operating income (loss)</b>	<b>193,540</b>	<b>226,517</b>	<b>347,157</b>
(76)	1,048	Interest income	2,333	2193	2,567
(24,209)	(25,384)	Interest expense	(84,242)	(73,138)	(95,933)
(10,477)	9,516	Other financial items	14,862	3,512	8,780
(74)	(19)	Foreign currency exchange gain (loss)	(21)	43	88
<b>52,816</b>	<b>65,266</b>	<b>Net income (loss)</b>	<b>126,473</b>	<b>159,127</b>	<b>262,659</b>
<b>\$0.70</b>	<b>\$0.87</b>	<b>Basic earnings per share amounts (\$)</b>	<b>\$1.69</b>	<b>\$2.14</b>	<b>\$3.52</b>

# P&L

## Split of total operating revenues

(Sooo's)	Ref	YTD 2005	Q3 2005	Q2 2005	Q1 2005
<b>Operating revenues</b>	3.1				
Time charter revenues		-44,177	-16,383	-14,618	-13,176
Bareboat charter revenues		-5,648	-1,738	-1,763	-2,147
Voyage charter revenues		-5,762	-195	-1,513	-4,054
Demurrage/despatch		-3,668	-2,159	-1,131	-379
Pool earnings		-2	3	-	-4
Finance lease interest income		-129,081	-45,209	-43,050	-40,822
Finance lease service revenues		-68,345	-23,792	-22,769	-21,785
Other operating income		-37,668	-28,242	-9,403	-22
<b>Total operating revenues</b>		<b>-294,351</b>	<b>-117,715</b>	<b>-94,247</b>	<b>-82,389</b>
Gain or loss from sale of assets		-1,221	-688	-63	-470

# Balance sheet

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2005</b> <b>Sep 30</b>	<b>2004</b> <b>Sep 30</b>	<b>2004</b> <b>Dec 31</b> <i>(audited)</i>
<b>ASSETS</b>			
<i>Short term</i>			
Cash, restricted cash and cash equivalents	71,808	69,171	34,572
Amount due from parent	4,155	-	4,864
Other current assets	148,391	123,279	192,421
<i>Long term</i>			
Newbuildings and vessel purchase options	-	8,370	8,370
Vessels and equipment, net	322,362	347,126	236,305
Investment in finance leases	1,834,772	1,556,010	1,641,644
Deferred charges and other long-term assets	35,770	27,931	34,761
<b>Total assets</b>	<b>2,417,258</b>	<b>2,131,887</b>	<b>2,152,937</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term and current portion of long term interest bearing debt	122,519	88,845	91,308
Amount due to parent	-	-	-
Other current liabilities	23,082	19,544	8,958
<i>Long term</i>			
Long term interest bearing debt	1,702,768	1,412,875	1,387,586
Other long term liabilities	27,154	1,679	4,103
Stockholders' equity	541,735	608,944	660,982
<b>Total liabilities and stockholders' equity</b>	<b>2,417,258</b>	<b>2,131,887</b>	<b>2,152,937</b>

# Breakdown of deemed dividends paid in Q1, Q2 and Q3 2005

Q1	
Deemed dividends per Q1 Press Release	(6 938)
Restatement for payment over cost for Century/Champion/Victory	(75 153)
Restated deemed dividends for Q1	<u>(82 091)</u>
Q2	
Payment over cost for Target/Traveller/Transporter	(30 024)
Scilla Super profit payment	(14 582)
Net dividend paid to FSL/FSL2	(3 827)
	<u>(48 434)</u>
Q3	
Net dividend paid to FSL/FLS2	(3 699)
Total deemed dividend reported for 9 mth period ended 9/30/05	<u>(134 224)</u>

## Consolidated statements of Cash Flows

2004 Jul-Sep	2005 Jul-Sep	STATEMENT OF CASHFLOWS (in thousands of \$)	2005 Jan-Sep	2004 Jan-Sep	2004 Jan-Dec (audited)
		<b>OPERATING ACTIVITIES</b>			
52,816	65,266	Net income (loss)	126,473	159,127	262,659
		Adjustments to reconcile net income to net cash provided by operating activities			
9,688	8,192	Depreciation and amortisation	31,706	38,057	44,102
(26)	-	Unrealised foreign currency exchange (gain) loss	-	(163)	(164)
11,120	(8,076)	Adjustment of financial derivatives to market value	(11,872)	(3,975)	(9,289)
(658)	(3,461)	Other	(6,024)	(1,146)	(1,146)
(25,519)	(21,395)	Change in operating assets and liabilities	104,447	(34,956)	(117,634)
<b>47,421</b>	<b>40,525</b>	<b>Net cash provided by operating activities</b>	<b>244,730</b>	<b>156,944</b>	<b>178,528</b>
		<b>INVESTING ACTIVITIES</b>			
16,370	25,794	Repayment of investments in finance leases	72,922	43,024	61,990
2,085	(149)	Net maturities (placement) of restricted cash	2,515	559,698	560,121
-	71,000	Sale of investment in finance lease	229,800	-	-
	288	Acquisition of subsidiaries, net of cash acquired	(549,090)	(536,793)	(536,793)
(8,370)	-	Purchase of option	-	(8,370)	(8,370)
-	12,535	Investment in newbuilding	-	-	-
-	-	Short-term loan advances to parent company	-	(55,254)	(55,254)
-	(49,889)	Purchase of vessels	(49,889)	-	-
55,254	-	Repayments from parent company	-	55,254	55,254
<b>65,339</b>	<b>59,579</b>	<b>Net cash provided by (used in) investing activities</b>	<b>(293,722)</b>	<b>57,559</b>	<b>76,948</b>
		<b>FINANCING ACTIVITIES</b>			
24,696	-	Proceeds from share issue	-	24,696	24,696
-	-	Amount due to parent	-	-	-
-	(1,874)	Repurchase of shares	(5,874)	-	(14,713)
-	141,950	Proceeds from long-term debt	1,571,429	1,017,100	1,017,100
(1,973)	(1,423)	Debt fees paid	(8,512)	(15,760)	(15,760)
(51,872)	(178,659)	Repayment of long-term debt	(1,221,874)	(1,076,882)	(1,099,707)
-	(37,300)	Cash dividends paid	(112,201)	-	(78,902)
(52,380)	(3,699)	Deemed dividends paid	(134,225)	(100,288)	(58,997)
<b>(81,529)</b>	<b>(81,005)</b>	<b>Net cash provided by (used in) financing activities</b>	<b>88,743</b>	<b>(151,134)</b>	<b>(226,283)</b>
<b>31,231</b>	<b>19,099</b>	<b>Net increase in cash and cash equivalents</b>	<b>39,751</b>	<b>63,369</b>	<b>29,193</b>
<b>32,138</b>	<b>49,845</b>	<b>Cash and cash equivalents at start of period</b>	<b>29,193</b>	<b>-</b>	<b>-</b>
<b>63,369</b>	<b>68,944</b>	<b>Cash and cash equivalents at end of period</b>	<b>68,944</b>	<b>63,369</b>	<b>29,193</b>

# Breakeven rates (USD / day)

## Base Charter Rate    Cash Breakeven

<b>VLCC, *)</b>	<b>25 575</b>	<b>20 005</b>
<b>Suezmax</b>	<b>21 100</b>	<b>14 162</b>
<b>Suezmax OBO</b>	<b>21 100</b>	<b>18 049</b>
<b>Container vessels</b>		<b>5 207</b>

**\*) Base Charter Rate for 23 vs1**

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

# Sales type lease accounting

- Ship Finance is accounting for 44 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