

Ship Finance International Limited
Q4 2005 results
February 17, 2006



The Fleet

**1 accomodation
rig**



14 Suezmaxes



**2 container
vessels**

28 VLCCs



**8 Suezmax
OBOs**

= 11.7 million dwt. or approximately 78 million barrels transport capacity.

- § Oldest ship from 1989
- § Average age: 10.3 years
- § Tanker industry average: 8.4 years
- § Double hull tonnage: 68 %
- § Tanker industry average: 68 %

Main events Q4 2005/Q1 2006

- A dividend of \$0.50 per share for Q3 2005 was paid out in December 2005,
- On February 17, 2006 the Board declared a dividend of \$0.50 per share which represents an ordinary cash dividend of \$0.45 per share and a supplementary extraordinary dividend of \$0.05 per share. The record date for the dividend is March 6, 2006, the ex dividend date is March 2, 2006 and the dividend will be paid on or about March 20, 2006,
- In November 2005 the bareboat charterer of the VLCC Navix Astral exercised an option to purchase the vessel and delivery took place in January 2006,
- In January 2006 the Company acquired the VLCC Front Tobago from Frontline. Effective January 2006 this vessel has replaced the Navix Astral and will fulfil the remainder of the Navix Astral time charter with Frontline,

Main events Q4 2005/Q1 2006

- Bought back \$1 million SFL-bonds in Q4, remaing outstanding \$457 million,
- In January 2006 Consafe Offshore AB and Ship Finance entered into a heads of agreement in which Consafe will sell to Ship Finance the accomodation rig "Safe Concordia" via a limited liability company, for a sum of \$185 million. The rig is chartered back to Consafe for 30 years,
- Bought back 1,457,100 shares in Q4, and another 400,000 shares so far in Q1 2006,
- Booked another \$51.8 million in profit share in Q4, total for the year is \$88.1 million

- 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

Profit & Loss

2004 Oct - Dec	2005 Oct - Dec	INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	2005 Jan-Dec	2004 Jan-Dec (audited)
151,482	143,159	Total operating revenues	437,510	492,069
-	1,875	Loss on sale of assets	654	-
212	601	Voyage expenses	3,600	9,978
24,509	27,511	Ship operating expenses	110,241	96,505
983	824	Administrative expenses	2,446	3,812
5,139	5,225	Depreciation	19,907	34,617
30,843	34,161	Total operating expenses	136,194	144,912
120,369	107,123	Operating income (loss)	300,662	347,157
374	1,010	Interest income	3,343	2,567
(22,796)	(27,694)	Interest expense	(111,935)	(95,933)
5,267	2,666	Other financial items	17,528	8,780
45	(32)	Foreign currency exchange gain (loss)	(52)	88
103,529	83,073	Net income (loss)	209,546	262,659
\$1.38	\$1.11	Basic earnings per share amounts (\$)	\$2.84	\$3.52

(Sooo's)	Ref	YTD 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005	YTD 2004
Operating revenues							
Time charter revenues	3.1	-62,605	-18,427	-16,383	-14,618	-13,176	-86,741
Bareboat charter revenues	3.1	-7,325	-1,677	-1,738	-1,763	-2,147	-27,453
Voyage charter revenues	3.1	-5,758	3	-195	-1,513	-4,054	-41,542
Demurrage/despatch	3.1	-3,668	0	-2,159	-1,131	-379	-1,986
Pool earnings	3.1	4	5	3	-	-4	-4,464
Finance lease interest income	3.6	-177,474	-48,392	-45,209	-43,050	-40,822	-140,691
Finance lease service revenues	3.8	-92,265	-23,920	-23,792	-22,769	-21,785	-72,551
Other operating income	3.1	-88,418	-50,751	-28,242	-9,403	-22	-116,641
Total operating revenues		-437,510	-143,159	-117,715	-94,247	-82,389	-492,069

Balance sheet

BALANCE SHEET <i>(in thousands of \$)</i>	2005 Dec 31	2004 Dec 31 <i>(audited)</i>
ASSETS		
<i>Short term</i>		
Cash, restricted cash and cash equivalents	34,432	34,572
Amount due from parent	-	4,864
Other current assets	197,188	192,421
<i>Long term</i>		
Newbuildings and vessel purchase options	-	8,370
Vessels and equipment, net	315,220	236,305
Investment in finance leases	1,818,344	1,641,644
Deferred charges and other long-term assets	37,409	34,761
Total assets	2,402,593	2,152,937
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	122,519	91,308
Amount due to parent	4,880	-
Other current liabilities	16,001	8,958
<i>Long term</i>		
Long term interest bearing debt	1,671,138	1,387,586
Other long term liabilities	26,533	4,103
Stockholders' equity	561,522	660,982
Total liabilities and stockholders' equity	2,402,593	2,152,937

Consolidated statements of Cash Flows

2004 Oct - Dec	2005 Oct - Dec	STATEMENT OF CASHFLOWS <i>(in thousands of \$)</i>	2005 Jan-Dec	2004 Jan-Dec <i>(audited)</i>
		OPERATING ACTIVITIES		
103,529	83,073	Net income (loss)	209,546	262,659
		Adjustments to reconcile net income to net cash provided by operating activities		
6,046	5,916	Depreciation and amortisation	36,431	44,102
		Unrealised foreign currency exchange (gain) loss	-	(164)
(5,314)	(2,861)	Adjustment of financial derivatives to market value	(14,732)	(9,289)
-	1,895	Loss on sale of assets	654	-
-	187	Other	(4,708)	(1,146)
(82,677)	(50,803)	Change in operating assets and liabilities	53,643	(117,634)
21,584	37,407	Net cash provided by operating activities	280,834	178,528
		INVESTING ACTIVITIES		
18,966	21,736	Repayment of investments in finance leases	94,777	61,990
423	1,289	Net maturities (placement) of restricted cash	3,804	560,121
-	-	Sale of investment in finance lease	229,800	-
-	21	Acquisition of subsidiaries, net of cash acquired	(518,182)	(536,793)
-	-	Purchase of option	-	(8,370)
-	-	Investment in newbuilding	-	-
-	-	Short-term loan advances to parent company	-	(55,254)
-	994	Purchase of vessels	(79,772)	-
-	-	Repayments from parent company	-	55,254
19,389	24,040	Net cash provided by (used in) investing activities	(269,573)	76,948
		FINANCING ACTIVITIES		
-	-	Proceeds from share issue	-	24,696
(14,713)	(27,210)	Repurchase of shares	(33,083)	(14,713)
-	-	Proceeds from long-term debt	1,571,429	1,017,100
-	(26)	Debt fees paid	(7,346)	(15,760)
(22,825)	(31,630)	Repayment of long-term debt	(1,253,503)	(1,099,707)
(33,986)	(36,663)	Cash dividends paid	(148,864)	(78,902)
(3,625)	(2005)	Deemed dividends paid	(136,230)	(58,997)
(75,149)	(97,534)	Net cash provided by (used in) financing activities	(7,597)	(226,283)
(34,176)	(36,087)	Net increase in cash and cash equivalents	3,664	29,193
63,369	68,944	Cash and cash equivalents at start of period	29,193	-
29,193	32,857	Cash and cash equivalents at end of period	32,857	29,193

Breakeven rates (USD / day)

- Cash BE rates for Ship Finance are much lower than the fixed rates,

	Base Charter Rate	Cash Breakeven
VLCC	26 597	20 281
Suezmax	21 100	14 257
Suezmax OBO	21 100	18 225
Container vessels		5 281

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,
- In the P&L statement only the interest income on the sales type lease and the service income is booked, while the installment part is accounted for under cash flow as repayment of finance leases under investment activities,
- 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

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/FSL2	(3 699)
Total deemed dividend reported for 9 mth period ended 9/30/05	<u>(134 224)</u>