

Ship Finance International Limited
Q1 2006 results
May 26, 2006



The Fleet

14 Suezmaxes



**7 container
Vessels (incl. 5
N/B)**

28 VLCCs



**8 Suezmax
OBOs**

§ Oldest ship from 1989

§ Average age tanker vessels: 10.0 years

§ Tanker industry average: 8.4 years

§ Double hull tanker tonnage: 66 %

§ Tanker industry average: 68 %

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

Main events Q1 2006

- A dividend of \$0.50 per share for Q4 2005 was paid in March 2006,
- In January 2006, the VLCC Navix Astral was delivered to its existing bareboat charterer pursuant to a charterer's purchase option that was exercised in November 2005. In January 2006 the Company acquired the Front Tobago from Frontline for \$40 million. Front Tobago has replaced and will fulfil the remainder of the Navix Astral timecharter with Frontline,
- In February 2006 the Company entered into a total return bond swap line with Fortis Bank. The total return swap is for a term of twelve months and will facilitate the buyback of the Company's 8.5% senior notes in an amount of \$50 million. As of today the bank has acquired bonds for \$48.6 million with par value \$51.5 million,
- In March 2006 according to a mutual understanding, a termination contract was entered into between the Company and Consafe Offshore AB (publ) which terminated the Heads of Agreement concerning a sale and lease back deal. The parties agreed to keep a dialog with respect to potential future projects together. As a result of the termination certain financial mechanisms which were set up for the deal were also terminated. This resulted in a small net profit for the terminated transaction.
- In the first quarter the Company bought back and cancelled 400,000 of its shares,

Main events Q2 2006

• In April 2006 the Company announced that it had closed the definitive agreements and related financing documents to acquire five newbuilding container vessels from third parties for a sum of approximately USD 280 million and to place the vessels on long-term charters to Horizon Lines, LLC, a subsidiary of Horizon Lines Inc., which will guarantee the charters. The term of each bareboat charter will be 12 years with a three year renewal option on the part of Horizon Lines which will operate the vessels in its TP1 service from the U.S. West Coast to Guam and Asia. The vessels will fly the United States flag,

• On May 26, 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 June 12, 2006, the ex dividend date is June 8, 2006 and the dividend will be paid on or about June 26, 2006,

• As from May 2, 2006 Mr. Lars Solbakken (49) has been hired as the new CEO of Ship Finance. Mr. Solbakken has extensive experience from the marine sector both from the owners' and financial services' side. With this recruitment, the Board has secured that the Company has a fully dedicated person whose primary focus will be on new projects. A further one or two recruitments are likely in the near future.

Strategy

- Grow our fleet
- Diversify our customer base
- Diversify our assets base



Profit & Loss

INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	2006 Jan-Mar	2005 Jan-Mar (restated)	2005 Jan-Dec
Total operating revenues	84,121	82,389	437,510
(Gain)/loss on sale of assets	(1,132)	(470)	654
Voyage expenses	711	835	3,600
Ship operating expenses	27,543	24,980	110,241
Administrative expenses	521	868	2,446
Depreciation	4,359	4,659	19,907
Total operating expenses	33,134	31,342	136,194
Operating income (loss)	52,119	51,517	300,662
Interest income	726	718	3,343
Interest expense	(26,399)	(34,303)	(111,935)
Other financial items	7,379	12,002	17,528
Foreign currency exchange gain (loss)	26	31	(52)
Net income (loss)	33,851	29,965	209,546
Basic earnings per share amounts (\$)	\$0.46	\$0.40	\$2.84

Balance sheet

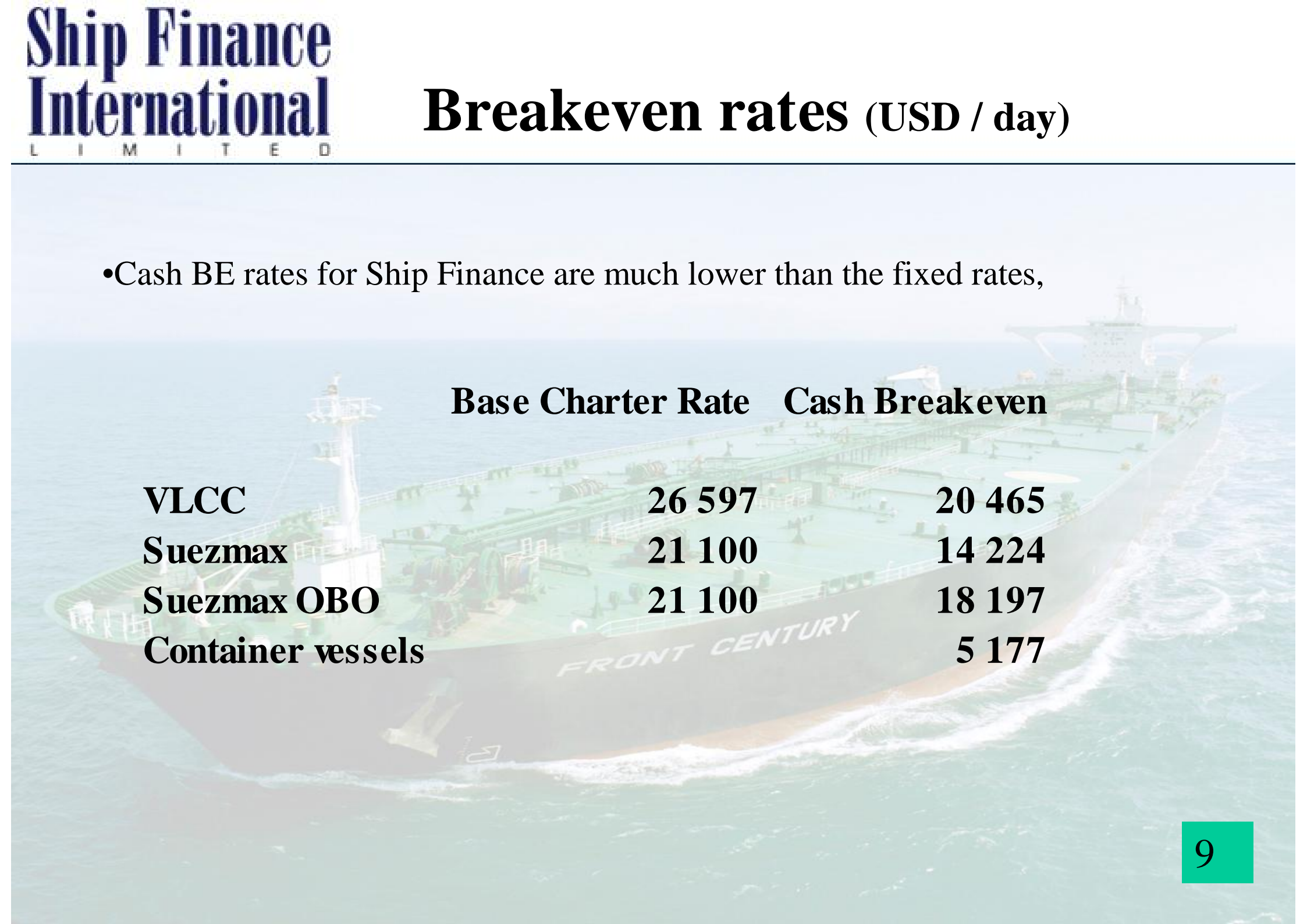
BALANCE SHEET <i>(in thousands of \$)</i>	2006 Jan-Mar	2005 Jan-Mar (restated)	2005 Dec 31
ASSETS			
<i>Short term</i>			
Cash and cash equivalents	88,472	112,037	32,857
Restricted cash	11,083	3,661	1,575
Other current assets	124,982	94,790	197,188
<i>Long term</i>			
Newbuildings and vessel purchase options	2,000	8,370	-
Vessels and equipment, net	271,528	232,117	315,220
Investment in finance leases	1,810,667	1,749,695	1,818,344
Deferred charges and other long-term assets	41,474	37,906	37,409
Total assets	2,350,206	2,238,576	2,402,593
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term and current portion of long term interest bearing debt	120,026	104,188	122,519
Amount due to parent	3,112	31,848	4,880
Other current liabilities	25,070	24,082	16,001
<i>Long term</i>			
Long term interest bearing debt	1,630,535	1,513,025	1,671,138
Other long term liabilities	26,159	2,658	26,533
Stockholders' equity	545,304	572,775	561,522
Total liabilities and stockholders' equity	2,350,206	2,248,576	2,402,593

Consolidated statements of Cash Flows

STATEMENT OF CASHFLOWS (in thousands of \$)	2006 Jan-Mar	2005 Jan-Mar (restated)	2005 Jan-Dec
OPERATING ACTIVITIES			
Net income (loss)	33,851	29,965	209,546
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortisation	5,007	16,934	36,431
Adjustment of financial derivatives to market value	(5,087)	(12,084)	(14,732)
(Gain)/loss on sale of assets	(1,132)	(470)	654
Other	(1,759)	(112)	(4,708)
Change in operating assets and liabilities	96,351	26,419	53,643
Net cash provided by operating activities	127,231	160,652	280,834
INVESTING ACTIVITIES			
Repayment of investments in finance leases	32,134	22,929	94,777
Net maturities (placement) of restricted cash	(9,507)	1,718	3,804
Sale of investment in finance lease		67,750	229,800
Sale of vessel	40,466	-	-
Acquisition of subsidiaries, net of cash acquired	(34,810)	(224,224)	(518,182)
Investment in newbuilding	(2,000)	-	-
Purchase of vessels	-	-	(79,772)
Net cash provided by (used in) investing activities	26,283	(131,827)	(269,573)
FINANCING ACTIVITIES			
Repurchase of shares	(7,212)	-	(33,083)
Proceeds from long-term debt	-	1,086,940	1,571,429
Debt fees paid	-	(4,781)	(7,346)
Repayment of long-term debt	(43,097)	(948,621)	(1,253,503)
Cash dividends paid	(36,372)	(37,450)	(148,864)
Deemed dividends paid	(11,218)	(82,092)	(136,230)
Short-term loan advances to parent company	-	299,949	-
Repayment of short term loan from parent company	-	(259,926)	-
Net cash provided by (used in) financing activities	(97,899)	54,019	(7,597)
Net increase in cash and cash equivalents	55,615	82,844	3,664
Cash and cash equivalents at start of period	32,857	29,193	29,193
Cash and cash equivalents at end of period	88,472	112,037	32,857

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	20 465
Suezmax	21 100	14 224
Suezmax OBO	21 100	18 197
Container vessels		5 177

Appendixes



Sales type lease accounting

- Ship Finance is accounting for 45 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

Deemed dividends

Ship Finance International Limited
As of March 31, 2006

Schedule of Deemed Dividends

(\$000's)

	YTD 2006	YTD 2005
Deemed dividends - Cross over voyages and third party charters	-2 818	-16 470
Deemed dividends - Excess of cash consideration over vessel cost		
Front Century	-	-27 059
Front Champion	-	-27 059
Golden Victory	-	-21 036
Front Target	-	-9 855
Front Traveller	-	-9 933
Front Transporter	-	-10 236
Front Tobago	-8 400	-
Deemed dividends - Front Scilla super profit payment	-	-14 582
Total deemed dividends	-11 218	-136 230