



# **Ship Finance International Limited 1Q 2008 results**

**May 22, 2008**

## FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Ship Finance management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although Ship Finance believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Ship Finance cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions including fluctuations in charter hire rates and vessel values, changes in demand in the markets in which we operate, changes in demand resulting from changes in OPEC's petroleum production levels and world wide oil consumption and storage, developments regarding the technologies relating to oil exploration, changes in market demand in countries which import commodities and finished goods and changes in the amount and location of the production of those commodities and finished goods, increased inspection procedures and more restrictive import and export controls, changes in our operating expenses, including bunker prices, drydocking and insurance costs, performance of our charterers and other counterparties with whom we deal, timely delivery of vessels under construction within the contracted price, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

# Agenda

- **1Q 2008 Highlights and subsequent events**
- **1Q 2008 Financial results**
- **Q & A**
  
- **Appendix**
  - Ship Finance overview
  - Accounting: Finance Leases and Deferred Equity

# Highlights

- **Increased the quarterly cash dividend to \$0.56 per share**
  - 6,94% dividend yield<sup>(1)</sup>
  - Intention to further increase the quarterly cash dividend to \$0.58 per share in the third quarter
  
- **Net income for the first quarter of \$59.8m (\$0.82/share)**
  - \$33.7m (\$0.46/share) profit share accumulated during the quarter, up from \$16.1m (\$0.22/share) in 4Q 07
  
- **Strong tanker market drives profit share**
  - \$33.7m profit share generated in 1Q08 alone – more than double the previous quarter
  - The firm market has continued so far in 2Q08
  
- **\$1.5 billion of new acquisitions announced last 12 months**
  - Including record-breaking \$850m acquisition of ultra-deepwater drillship

(1) Announced dividend, annualized / SFL share price \$32.27 (May 21, 2008)

# Highlights

- **Agreed to acquire two 17,000 dwt chemical tankers for \$60m**
  - Delivery in April and August 2008
  - 10 year bareboat charter to Bryggen Shipping and Trading AS with sub-charter to Sinochem
  
- **Announced new 12-year charters for two 1700 teu container ships**
  - Sea Alfa and Sea Beta bareboat chartered to an Asia-based regional liner company
  - Time-charter the first year, thereafter bareboat charters
  
- **Acquired two additional vessels from Deep Sea Supply in January 2008**
  - 12 year bareboat charter to Deep Sea Supply
  - Sea Trout which was acquired in 3Q 2007, was sold as part of the agreement
  - Total of six vessels on charter to Deep Sea Supply
  
- **Continued reduction of non-double hull vessels in the fleet**
  - Front Maple – Delivered to new owners in January 2008
  - Front Sabang – Sold on hire/purchase terms

# Acquisition of ultra-deepwater drillship

- **West Polaris**
  - 10,000 ft. max. water depth, dual drilling capability
  - Delivery from shipyard end of June 2008
  - 4 year sub-charter from Seadrill to a subsidiary of Exxon Mobil Corporation
  
- **Total acquisition cost of \$850m**
  - \$700m bank loan
  - \$150m equity investment
  
- **15 year bareboat charter to Seadrill**
  - \$491m aggregate charter payments first 51 months, and \$631m thereafter
  - Several purchase options, first time after 51 months
  - Seadrill: Mkt.cap \$13.6bn and charter backlog of \$12bn
  
- **Bank Financing**
  - \$700m bank loan with only limited recourse to SFL
  - 5 year term with average annual repayment of \$65m
  
- **Very good return on invested equity**
  - Annual net cash contribution after estimated interest expense and debt repayment of approx \$23m (\$0.32/share) first 5 years



# Profit & Loss

INCOME STATEMENT (1) <i>(in thousands of \$ except per share data)</i>	Three months ended		Twelve months
	March 31, 2008	March 31, 2007	December 31, 2007 <i>(audited)</i>
Charter revenues - operating lease	18,293	11,501	55,680
Charter revenues - finance lease	117,989	109,907	461,943
- less revenues classified as Repayment of investment in finance leases(2)	(48,075)	(36,314)	(173,193)
Profit share income	33,670	0	52,527
Other operating income	9	1,447	1,835
<b>Total operating revenues (2)</b>	<b>121,886</b>	<b>86,541</b>	<b>398,792</b>
Gain / -loss on sale of assets	6,791	30,764	41,669
Voyage expenses	167	373	921
Ship operating expenses	25,151	28,959	106,240
Administrative expenses	2,697	2,017	7,783
Depreciation	5,999	2,998	20,636
<b>Total operating expenses</b>	<b>34,014</b>	<b>34,347</b>	<b>135,580</b>
<b>Operating income</b>	<b>94,663</b>	<b>82,958</b>	<b>304,881</b>
Interest income	827	1,436	6,781
Interest expense	(33,470)	(32,062)	(130,401)
Results in associate	228	235	923
Other financial items	(250)	(753)	(1,902)
Mark to Market of Derivatives	(2,178)	3,541	(12,557)
Foreign currency exchange gain / -loss	(10)	(74)	(17)
Taxes	0	-	-
<b>Net income</b>	<b>59,810</b>	<b>55,281</b>	<b>167,708</b>
<b>Basic earnings per share (\$)</b>	<b>\$0.82</b>	<b>\$0.76</b>	<b>\$2.31</b>
<b>Weighted average number of shares</b>	<b>72,743,737</b>	<b>72,743,737</b>	<b>72,743,737</b>
<b>Common shares outstanding</b>	<b>72,743,737</b>	<b>72,743,737</b>	<b>72,743,737</b>

1) Operating revenues excludes a 100% owned subsidiary accounted for as 'investments in associates'

2) For all vessels on finance lease, the fixed charter payments are split in three elements; 'Interest income', 'Repayment of investment in finance leases' and 'Service income'. The 'Interest income' and the 'Service income' are included in the Company's Total Operating revenues. 'Repayment of investment in finance leases' is not included in the Total operating revenues in the Income Statement, and appears in the Statement of Cashflows and in the Balance Sheet as a reduction of the balance "Investment in finance leases"

# Balance Sheet

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2007 (audited)</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	100,734	146,435	78,255
Restricted cash	35,551	13,482	26,983
Amount due from related parties	29,224	13,544	42,014
Other current assets	189,810	146,604	186,343
<i>Long term</i>			
Newbuildings	47,163	126,115	46,259
Vessels and equipment, net	548,656	292,643	583,244
Investment in finance leases	2,024,529	1,841,930	1,963,470
Investment in associate	4,758	3,839	4,530
Deferred charges	16,477	17,484	16,922
Other long-term assets	2,008	23,845	2,008
<b>Total assets</b>	<b>2,998,910</b>	<b>2,625,921</b>	<b>2,950,028</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term and current portion of long term interest bearing	171,181	170,124	179,428
Other current liabilities	88,888	25,778	42,804
Amount due to related parties	6,350	42,619	5,693
<i>Long term</i>			
Long term interest bearing debt	2,092,916	1,749,913	2,090,566
Other long term liabilities	35,857	8,235	17,060
Stockholders' equity <sup>(1)</sup>	603,718	629,252	614,477
<b>Total liabilities and stockholders' equity</b>	<b>2,998,910</b>	<b>2,625,921</b>	<b>2,950,028</b>

1) As of March 31, 2008 Stockholders' equity excludes \$223.5 million of deferred equity which is being recognized over time. In connection with the initial and subsequent acquisitions of vessels from Frontline, Ship Finance has accounted for the difference between the historical cost of the vessels and the net investment in the lease as a deferred equity contribution. This deferred equity contribution is shown as a reduction in the net investment in finance leases in the balance sheet. This results from the related party nature of both the transfer of the vessel and the subsequent charter. This deferred equity is amortized to Stockholders' equity in line with the charter payments received from Frontline.

# Cashflow Statement

STATEMENT OF CASHFLOWS <i>(in thousands of \$)</i>	Three months ended		Twelve months ended
	March 31 2008	March 31 2007	Dec. 31, 2007 <i>(audited)</i>
<b>OPERATING ACTIVITIES</b>			
Net income	59,810	55,281	167,708
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortisation	6,161	2,900	23,554
Adjustment of financial derivatives to market value	1,847	(3,618)	12,557
Gain on sale of assets	(6,791)	(30,764)	(41,669)
Result in associate	(228)	(235)	(923)
Stock based compensation	393	152	785
Other	(34,063)	(87)	(51,278)
Change in operating assets and liabilities	56,924	88,486	91,684
<b>Net cash provided by operating activities</b>	<b>84,053</b>	<b>112,115</b>	<b>202,418</b>
<b>INVESTING ACTIVITIES</b>			
Repayment of investments in finance leases	48,075	36,314	173,193
Net placement of restricted cash	(8,568)	(545)	(14,046)
Proceeds from sale of vessel/new buildings	49,852	141,855	152,659
Acquisition of subsidiaries, net of cash acquired	-	879	-
Net investment in newbuildings	(251)	7,658	(47,383)
Purchase of vessels	(104,000)	(182,864)	(644,287)
Investment in associate companies	-	94	92
Purchase of short term investment	-	3,000	3,000
Other investments	-	-	(2,008)
<b>Net cash (used in) provided by investing activities</b>	<b>(14,892)</b>	<b>6,391</b>	<b>(378,780)</b>
<b>FINANCING ACTIVITIES</b>			
Repurchase of shares	-	-	-
Proceeds from long-term debt	77,000	127,188	620,225
Expenses paid in connection with securing finance	(777)	(539)	(3,432)
Repayment of long-term debt	(82,897)	(122,349)	(265,430)
Cash dividends paid	(40,008)	(39,282)	(159,335)
Deemed dividends paid	-	(1,658)	(1,979)
<b>Net cash provided by (used in) financing activities</b>	<b>(46,682)</b>	<b>(36,640)</b>	<b>190,049</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>22,479</b>	<b>81,866</b>	<b>13,687</b>
<b>Cash and cash equivalents at start of period</b>	<b>78,256</b>	<b>64,569</b>	<b>64,569</b>
<b>Cash and cash equivalents at end of period</b>	<b>100,735</b>	<b>146,435</b>	<b>78,256</b>

# SFL operational performance

## ▪ Pro-forma illustration of cash flow (1)

- Not as accounted per US GAAP
- Used as an internal guideline to assess the Company's core business
- Excluding extraordinary and non-cash items

	1Q 08		4Q 07		Change
	\$ mill.	\$/share	\$ mill.	\$/share	
<b>Fixed charter hire</b>					
VLCC	64	0.88	64	0.88	0%
Suezmax	11	0.16	14	0.20	(20)%
Container	13	0.17	13	0.18	(3)%
Dry bulk incl. OBOs	16	0.22	16	0.22	0%
Offshore	33	0.45	31	0.42	7%
<b>Sum fixed charter hire</b>	<b>137</b>	<b>1.88</b>	<b>138</b>	<b>1.90</b>	<b>(1)%</b>
Vessel operation expenses and G&A	(28)	(0.38)	(29)	(0.38)	(2)%
<b>EBITDA excluding profit share (2)</b>	<b>109</b>	<b>1.49</b>	<b>109</b>	<b>1.50</b>	<b>(1)%</b>
Accumulated profit share	34	0.46	16	0.22	109%
<b>EBITDA including accumulated profit share</b>	<b>142</b>	<b>1.96</b>	<b>125</b>	<b>1.72</b>	<b>14%</b>

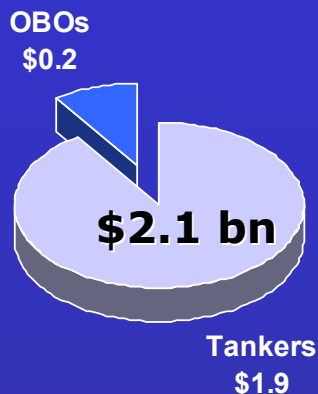
(1) Including cash flow from a 100% owned subsidiary not consolidated based on US GAAP

(2) On this slide EBITDA is defined as gross charter hire received less Vessel operation expenses and General & Administrative expenses

# Growth and Diversification

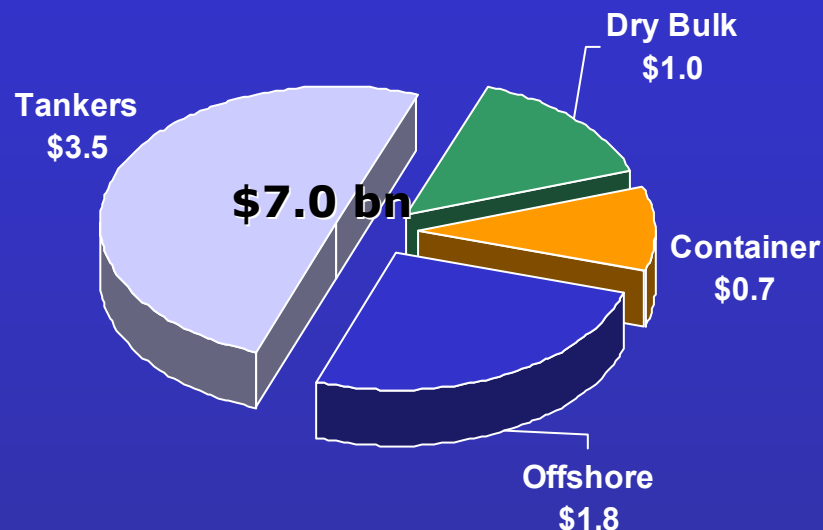
## Asset Base in 2004

\$ in billions



## Pro Forma Current Asset Base (1)

\$ in billions



### Key areas of Growth

- Offshore market
- Container market
- Tankers and bulkers

### Remaining capital commitments (2)

	2008 (2Q-Q4)	2009	2010	Total
Gross commitments	\$1,078m	\$326m	\$98m	\$1,502m
Net of committed project financing	\$224m	\$181m	\$98m	\$503m

(1) Pro forma for all vessels contracted for delivery. OBO's included in dry bulk segment.

(2) As per March 31, 2008 and including the recently announced drillship. Separate financing arrangements are already in place for several of these investments.

# Increasing Order Backlog

- **Nominal values<sup>(1)</sup> as per March 31, 2008**
- **Excluding any profit sharing**

**Total charter payments**



**\$6.6 bn (\$91/share)**

**Net cash flow from charters<sup>(2)</sup>**



**\$5.6 bn (\$77/share)**

**Average term of charters<sup>(3)</sup>**



**13.5 years**

(1) As of March 31, 2008 and adjusted for subsequent transactions (including the drillship transaction). Assuming certain call options are not exercised.

(2) Cash flow net of vessel operating expenses (EBITDA).

(3) Weighted by charter revenue.

# Consistent dividend track-record

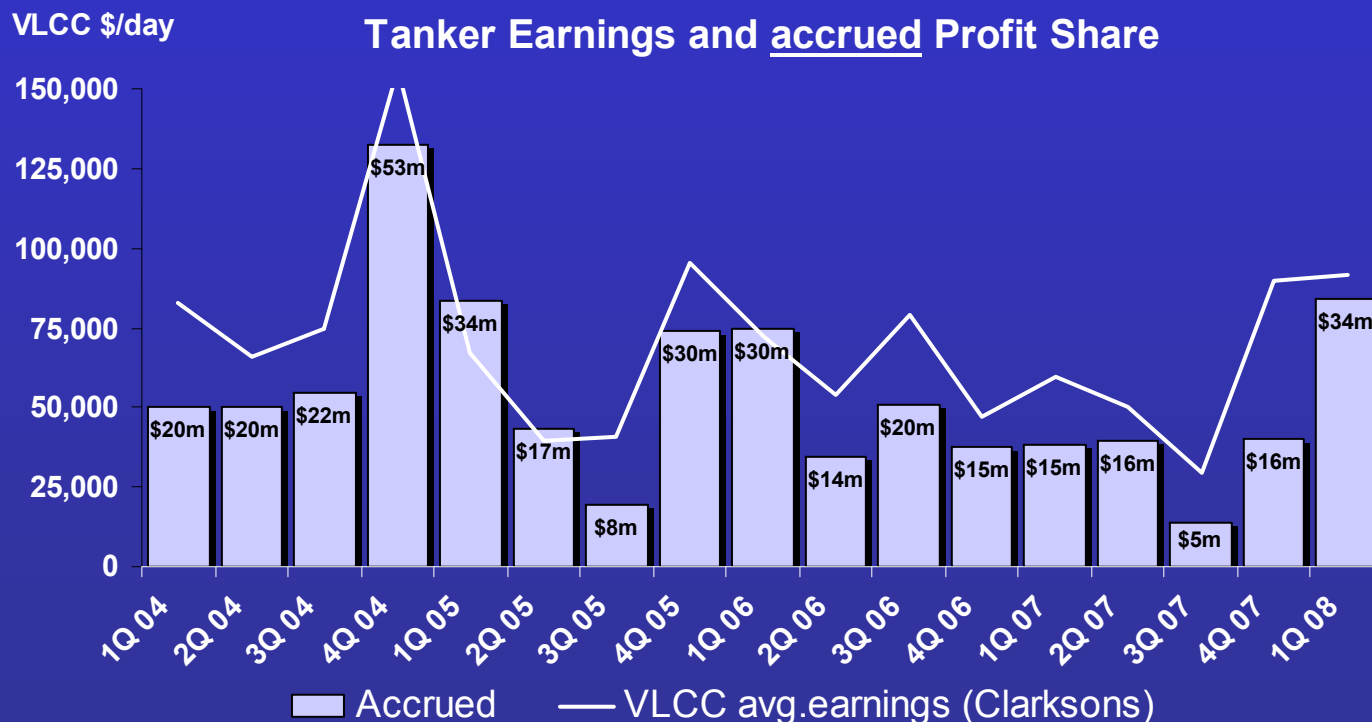
- **\$0.56 dividend per share for 1Q 2008 = 6.94% dividend yield\***
- **\$2.21 per share on trailing 4 quarter basis**
- **Intention to increase the quarterly cash dividend to \$0.58 in 3Q 2008**
- **Additional transactions expected to increase dividend capacity further**



\* Latest announced dividend (annualized) / SFL share price \$32.27 (May 21, 2008)

# Profit share = Incremental cashflow

- **Capturing incremental cashflow in strong markets**
  - 20 % profit share of tankers/OBO earnings in excess of base charter rates
  - Spot tanker market exposure represents upside for SFL shareholders
- **Quarterly average Profit Share\* of \$21.6m or \$0.30 per share from 1Q 2004**

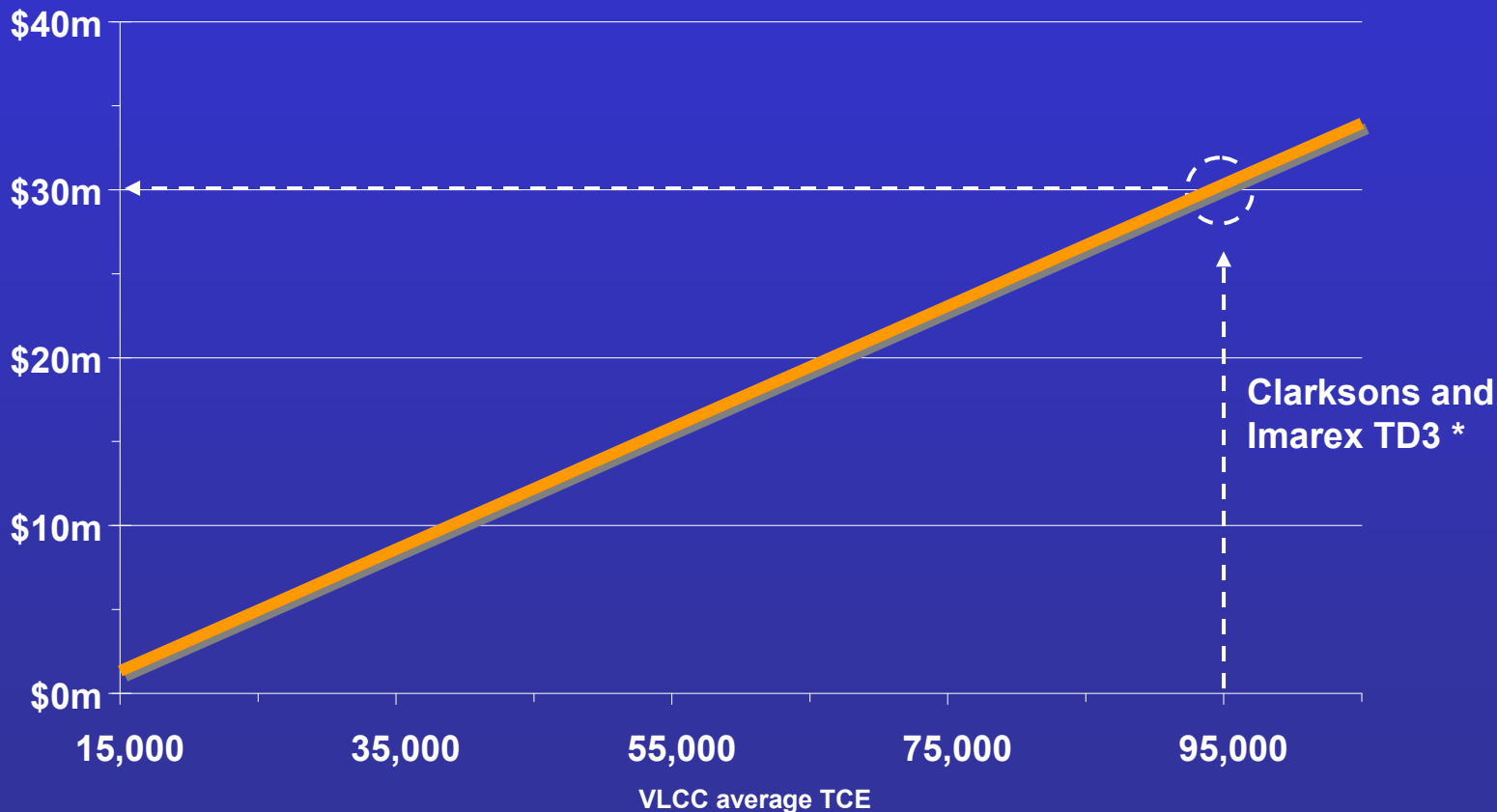


\* The profit share is paid on an annual basis. Pro-forma accumulated profit share per quarter based on management estimate. Based on US GAAP, the recognized amounts in the quarterly P&L statement may differ from the pro-forma management estimate.

# Quarterly profit share - sensitivity

## 2Q08-4Q08 profit share estimate vs. VLCC market rates

Average per quarter 1Q04 – 1Q08: \$22m



\* Average of 2Q earnings for a modern VLCC (Clarksons) and 3Q-4Q forward market rates as quoted by Imarex (May 21, 2008). TD3 is a representative VLCC round trip from the Arabian Gulf to Japan.

\*\* Time charter equivalent earnings. Ratio between VLCC and Suezmax of 1.26, based on historical average

# Financing

- **\$2.3 bn interest bearing debt per March 31, 2008**
  - \$1.8 bn bank loans
  - \$0.5 bn bond loan
  - Approximately 70% of interest rate exposure fixed<sup>(1)</sup>, increasing to more than 75% if we include committed new financing
  
- **Several new projects financed on “stand alone” basis with no or limited recourse to Ship Finance**
  - Improves investors’ position and reduces risk for Ship Finance
  - Focus on continued diversification of fleet and customer base
  
- **Capital available as equity in new projects**
  - \$101m net cash<sup>(2)</sup> per March 31, 2008
  - \$115m available under revolving credit facilities
  - Several vessels without any loans attached

(1) Combination of fixed interest rates, interest rate swaps or interest compensation clauses with charterers

(2) Excluding \$35.6m of restricted cash, but including \$0.6m cash in a 100% owned subsidiary which is not consolidated based on US GAAP

# Summary


- **Net income for the fourth quarter of \$59.8m (\$0.82/share)**
  - Profit share increased to \$33.7m, up from \$16.1m in fourth quarter 2007
  - Tanker market has remained strong so far 2Q08
  
- **Significant growth**
  - Demonstrated the ability to grow the business with accretive transactions
  - Announced more than \$1.5 billion of new transactions during the last 12 months
  
- **Quarterly dividend increased to \$0.56/share**
  - 6.94% dividend yield\*
  - Intention to increase the quarterly cash dividend to \$0.58 in 3Q 2008 when the drillship is fully operational
  - New projects expected to grow the dividend capacity further

\* Announced dividend (annualized) / SFL share price \$32.27 (May 21, 2008)

# Appendix

- **Ship Finance customers and assets**
- **Accounting: Finance Leases and Deferred Equity**

# 73 vessels and >11 Million DWT

	<b>Marine Assets</b>	<b>Type of Charter</b>	<b>Avg. Remaining Charter <sup>(1)</sup></b>
	<ul style="list-style-type: none"> <li>25 x VLCCs</li> <li>6 x Suezmaxes</li> <li>8 x OBOs</li> </ul>	Time Charter	11.6 years
	<ul style="list-style-type: none"> <li>5 x 2,800 TEU Containerships</li> </ul>	Bareboat Charter	11.0 years
	<ul style="list-style-type: none"> <li>2 x Jack-up drilling rigs</li> <li>1 x Ultra-deepwater drillship</li> </ul>	Bareboat Charter	14.2 years
	<ul style="list-style-type: none"> <li>2 x Capesize</li> <li>1 x Panamax</li> </ul>	Bareboat Charter	12.8 years
	<ul style="list-style-type: none"> <li>3 x seismic vessels</li> </ul>	Bareboat Charter	12.0 years
	<ul style="list-style-type: none"> <li>6 x offshore supply vessels</li> </ul>	Bareboat Charter	11.6 years
	<ul style="list-style-type: none"> <li>2 x 17,000 dwt Chemical tankers</li> </ul>	Bareboat Charter Sub-chartered to Sinochem	10.0 years
	<ul style="list-style-type: none"> <li>2 x VLCC</li> <li>3 x 1,700 TEU</li> <li>2 x Suezmaxes</li> <li>5 x Containerships</li> </ul>	Bareboat (hire/purchase) Time/Bareboat Charters	3.0 years 0.6 – 11.8 years - -

(1) As of March 31, 2008 and adjusted for subsequent transactions. Certain assets are subject to call options by charterers.

# Appendix

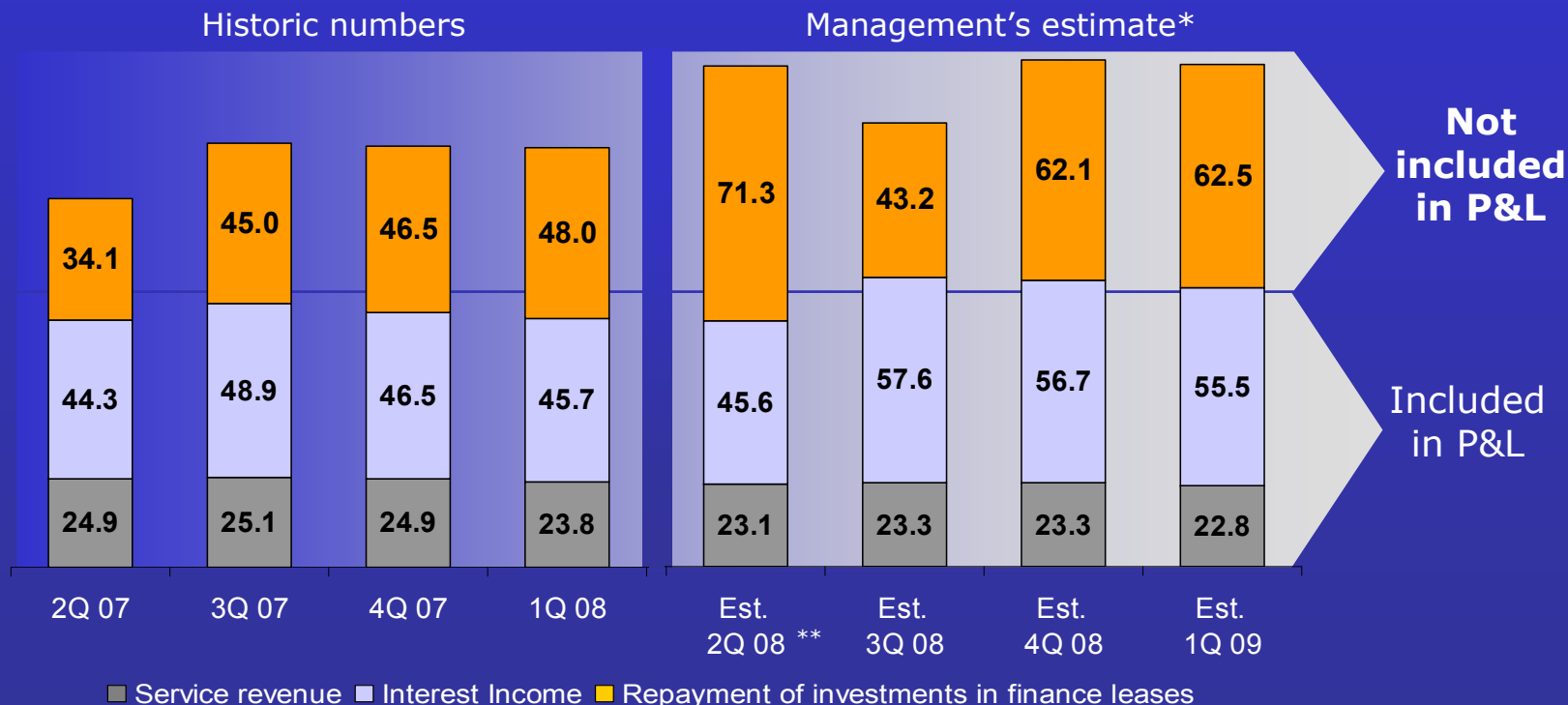
- **Ship Finance customers and assets**
- **Accounting: Finance Leases and Deferred Equity**

# Finance lease accounting

- **Charters to Frontline, Seadrill, Golden Ocean, Deep Sea and TMT are classified as finance leases**
  
- **Charter revenues are split in 3 parts:**
  - Service Income
    - OPEX component of the charter (\$6,500 per day)
    - Included in 'Total operating revenues' in the Income statement
    - Applicable for Frontline charters only
  
  - Interest income
    - The 'interest component' of the charter payment
    - Calculated essentially as the interest expense in an annuity
    - Included in 'Total operating revenues' in the Income statement
  
  - Repayment of investment in finance lease
    - The 'capital component' of the charter payment
    - Calculated essentially as the repayment of principal in an annuity
    - Deducted from the charter revenues in the Income statement. Is included under 'Investing Activities' in the Statement of Cashflows

# Finance leases - accounting

- Vessels/rigs chartered to Frontline, Seadrill, Deep Sea and TMT are accounted for as finance leases
- The numbers below reflects the aggregate fixed charter hire payments from those charters classified as finance leases, excluding any profit share
- The numbers do not include vessels accounted for as operating leases (\$18.3m in 1Q08)



\* The management's estimate includes lease schedules for assets on the balance sheet as of March 31, 2008 and estimated new lease schedules for the recently announced hire/purchase of Front Sabang and the acquisition of West Polaris. Other newbuildings that may be classified as finance leases are not included.

\*\* In 2Q08 an extraordinary charter payment of approx. \$22.0m is expected to be recorded as 'repayment of investments in finance lease' in connection with the sale of Front Sabang.

# Accounting - Deferred Equity

- Ship Finance has accounted for the difference between the historical cost of the vessels and the net investment in the lease as a deferred equity contribution.
- This deferred equity contribution is shown as a reduction in the net investment in finance leases in the balance sheet. This results from the related party nature of both the transfer of the vessel and the subsequent charter.
- The deferred equity contribution is amortized as a credit to contributed surplus over the life of the finance lease.
- The effect of this is that the assets of Ship Finance are reduced by the deferred equity contribution.
- As per March 31, 2008, the non-amortized portion of the deferred equity contribution was approximately \$223.5 million.