



Accounting Items

Finance Lease Accounting
Investments in Associated Companies
Deferred Equity

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.

Finance lease accounting

- **Charters to Frontline, Seadrill, Golden Ocean, Deep Sea Supply and TMT are classified as finance leases**

- **Charter revenues are split in 3 parts:**
 - Interest income
 - The 'interest component' of the lease 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 lease payment
 - Calculated essentially as the repayment of principal in an annuity
 - Deducted from the charter revenues in the Income statement. Included under 'Investing Activities' in the Statement of Cashflows

 - 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

Investments in associates

- **Some 100% owned subsidiaries are accounted for as 'investments in associated companies'**
 - SFL West Polaris Limited (West Polaris)
 - Front Shadow Inc. (Golden Shadow)
 - SFL Deepwater Ltd (West Hercules/West Taurus – delivered in 4Q08)
 - No implications on the actual cash flow generated from the vessels

- **Income statement effect**
 - The charter hire is not included in SFL's consolidated income statement
 - Net income in the vessel owning subsidiary is included under 'Results in associate' in the consolidated income statement
 - If asset is classified as a 'finance lease' asset, the charter revenue will be split in 'interest income' and 'repayment of investment in finance lease' in the subsidiary's accounts

- **Balance sheet effect**
 - The asset and associated debt is not consolidated into SFL's balance sheet
 - Stockholders equity and shareholder loans in the subsidiary appears in the consolidated balance sheet as 'Investments in associated companies'

Investments in associates Illustration

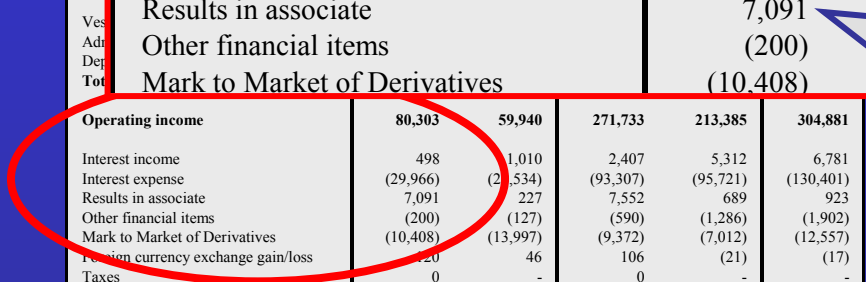
Impact on Income statement

P&L – Ship Finance

INCOME STATEMENT (in thousands of \$)	Three months ended Sept 30,	Sept 30,	Nine months ended Sept 30,	Sept 30,	Full year 2007
Operating income					80,303
Interest income					498
Interest expense					(29,966)
Results in associate					7,091
Other financial items					(200)
Mark to Market of Derivatives					(10,408)
Operating income	80,303	59,940	271,733	213,385	304,881
Interest income	498	1,010	2,407	5,312	6,781
Interest expense	(29,966)	(21,534)	(93,307)	(95,721)	(130,401)
Results in associate	7,091	227	7,552	689	923
Other financial items	(200)	(127)	(590)	(1,286)	(1,902)
Mark to Market of Derivatives	(10,408)	(13,997)	(9,372)	(7,012)	(12,557)
Foreign currency exchange gain/loss	20	46	106	(21)	(17)
Taxes	0	-	0	-	-
Net income	47,438	20,565	178,529	115,346	167,708
Basic earnings per share (\$)	\$0.65	\$0.28	\$2.45	\$1.59	\$2.31
Weighted average number of shares	72,743,737	72,743,737	72,743,737	72,743,737	72,743,737
Common shares outstanding	72,743,737	72,743,737	72,743,737	72,743,737	72,743,737

P&L – Subsidiaries

INCOME STATEMENT (in thousands of \$)	Three months ended	
	Sept 30, 2008	Sept 30, 2007
Total operating revenue (1)	12,714	
Total operating expenses	(132)	
Operating income	12,582	
Interest expense	(5,468)	
Other financial items	(246)	
Net income	6,868	
Other financial items		
Net income	223	226



Investments in associates Illustration

Impact on Balance sheet

Balance sheet – Ship Finance

BALANCE SHEET (in thousands of \$)	Sept, 30 2008
ASSETS	
<i>Short term</i>	
Cash and cash equivalents	118,657
Restricted cash	36,340
Amount due from related parties	91,138
Other current assets	187,619
<i>Long term</i>	
Newbuildings	66,036
Vessels and equipment, net	564,239
Investment in finance leases	1,954,295
Investment in associate	158,388
Deferred charges	16,293
Other long-term assets	8,473
Total assets	3,201,478
LIABILITIES AND STOCKHOLDERS' EQUITY	
<i>Short term</i>	
Short term and current portion of long term interest bearing debt	180,600
Other current liabilities	58,879
Amount due to related parties	6,394
<i>Long term</i>	
Long term interest bearing debt	2,245,528
Other long term liabilities	34,314
Stockholders' equity (1)	675,763
Total liabilities and stockholders' equity	3,201,478

Balance sheet – Subsidiaries

BALANCE SHEET (in thousands of \$)	Sept 30, 2008	Sept 30, 2008
ASSETS		
<i>Short term</i>		
Cash and cash equivalents	76	
Other current assets	68,555	839
<i>Long term</i>		
Investment in finance leases	781,685	,607
Deferred charges	4,142	,900
Total assets	854,458	,76
LIABILITIES AND STOCKHOLDERS' EQUITY		,422
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	63,479	
Other current liabilities	4,096	,060
Amounts due to related parties	251,304	,25
<i>Long term</i>		
Long term interest bearing debt	386,521	,943
Stockholders equity	149,058	
Total liabilities and stockholders' equity	854,458	,520
Stockholders equity		1,874
Total liabilities and stockholders' equity		26,422

Deferred Equity

- Applicable for vessels on charter to 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.
- 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 September 30, 2008, the non-amortized portion of the deferred equity contribution was approximately \$217.2 million.