



Ship Finance International Limited (NYSE: SFL) - Earnings Release

Reports preliminary 2Q 2009 results and quarterly dividend of \$0.30 per share

Hamilton, Bermuda, August 20, 2009. Ship Finance International Limited (“Ship Finance” or the “Company”) today announced its preliminary financial results for the quarter ended June 30, 2009.

Highlights

- Declared a quarterly dividend of \$0.30 per share.
- Reported net income for the quarter of \$53.5 million, or \$0.72 per share, including accrued profit share of \$8.0 million, or \$0.11 per share.
- A non-recurring gain of \$41.7 million was recognized in the second quarter relating to our 8.5% Senior Notes previously controlled under total return swap (“TRS”) agreements. The Company also recognized a \$33.9 million non-cash write-down of assets, predominantly linked to the remaining single-hull VLCCs.
- 3.5 million new shares were issued in the quarter, as a combination of stock dividends and shares sold in the market. Subsequent to quarter end, an additional 1.0 million shares have been issued as stock dividend.
- Announced the appointment of Mr. Ole B. Hjertaker as the new Chief Executive Officer (“CEO”) of Ship Finance Management AS.
- Announced the sale of the jack-up drilling rig *West Ceres* to Seadrill Ltd. (“Seadrill”) pursuant to a purchase option. Delivery took place in July 2009, and the net cash effect to the Company in the third quarter was \$40 million after repayment of associated bank debt.
- Announced the sale of the single-hull VLCC *Front Duchess* to an unrelated third party. Delivery to the new owner is expected in September 2009, and the net cash effect to the Company is estimated at approximately \$2.5 million after repayment of associated bank debt.

Dividend

The Board of Directors has declared a quarterly dividend of \$0.30 per share in cash, or, at the election of the shareholder, payable in newly issued common shares. The dividend will be paid on or about 16 October, 2009 to shareholders of record as of 31 August, 2009. The ex-dividend date will be 27 August, 2009.

Similar to the previous two quarters, shareholders may make an election to receive the dividend in newly issued common shares after reviewing a prospectus supplement relating to the dividend payment which will be filed with the U.S. Securities and Exchange Commission (“SEC”). The number of common shares to be issued as dividend will be set based on the volume-weighted average price of the shares on the New York Stock Exchange during the three trading days prior to the ex-dividend date, less a 5% discount.

The Company’s largest shareholders, Farahead Investments Inc. and Hemen Holding Ltd., who collectively own 42.1 % of the shares and are indirectly controlled by trusts affiliated with Mr. John Fredriksen, have again informed the Company that they would like to receive all of their dividends in the form of newly issued common shares.

Results for the Quarter ended June 30, 2009

The Company reported total operating revenues of \$88.2 million, or \$1.19 per share, in the second quarter of 2009. This number excludes charter hire classified as 'Repayment of investments in finance lease', and excludes substantial charter revenues in three 100% owned subsidiaries classified as 'investment in associate'. Net operating income for the quarter was \$28.1 million, or \$0.37 per share, and reported net income was \$53.5 million, or \$0.72 per share.

The profit share accrued in the second quarter was \$8.0 million, or \$0.11 per share, compared to \$14.5 million, or \$0.20 per share in the first quarter of 2009. The accrued profit share for 2009 will be payable in March 2010.

At the end of the second quarter 2009, \$449 million of the 8.5% Senior Notes due 2013 were outstanding. In June 2009, the Company bought back Senior Notes with a face value of \$148 million, giving a net outstanding amount of \$301 million under the Senior Notes. The repurchased Senior Notes were previously held by two banks under TRS agreements and were bought back at 84.5% of face value. Following this transaction, the Company recognized a non-recurring gain of \$41.7 million in the second quarter. The repurchase of the Senior Notes was part financed by new bank facilities with a total initial outstanding of \$90 million.

The Company also recognized a \$33.9 million non-cash impairment charge related to our remaining six single-hull tankers and a financial investment in a container vessel owner/operator.

Under US GAAP, the 100% owned ultra-deepwater drilling units *West Polaris*, *West Hercules* and *West Taurus* and the Panamax dry bulk vessel *Golden Shadow* are accounted for as 'investment in associate'. Consequently, only the aggregate 'net income' from these vessel-owning subsidiaries is recognized in the consolidated income statement of Ship Finance as 'Results in associate'.

Financing and Capital Expenditure

As of June 30, 2009, the Company had \$61.4 million of free cash. There are no refinancing needs in the short term, and the Company is in compliance with all bank covenants. Most of our charter arrangements and corresponding loan facilities have been structured with a front-loaded payment structure, effectively reducing the Company's financial exposure. In addition, several of our financing arrangements are in subsidiaries with no or limited guarantees from Ship Finance.

As of June 30, 2009, the Company had the following capital commitments related to newbuildings, net of contracted sale of vessels:

Period:	2H 2009	2010	2011	2012	Total
Gross investments	\$68 mill.	\$101 mill.	\$42 mill.	\$35 mill.	\$246 mill.
Contracted sale of vessels*	-\$109 mill.	-\$109 mill.			-\$217 mill.
Net investment	-\$41 mill.	-\$8 mill.	\$42 mill.	\$35 mill.	\$29 mill.

* Net of commissions

The investments in 2H 2009 and 2010 include yard installments on two Suezmax tankers which have been agreed sold and will be delivered to the buyer upon delivery from the shipyard. Management's current estimate is that the delivery and subsequent sale of the two Suezmax tankers will take place in the fourth quarter of 2009 and second quarter of 2010, respectively. The buyer has deposited \$33 million in cash for the vessels.

Business Update

As of June 30, 2009, the gross fixed-rate charter backlog from our operating fleet of 62 vessels and rigs was approximately \$7.4 billion, with an average remaining charter term of 10 years, or 13.1 years if weighted by charter revenue. Some of our charters include purchase options on behalf of the charterers that, if exercised, would reduce the fixed charter backlog and average remaining charter term. The Company's newbuildings

are currently unchartered and the Company intends to arrange employment for the vessels closer to delivery.

Thirty-one of our crude oil tankers and eight of our oil/bulk/ore (“OBO”) vessels operate on long term contracts to subsidiaries of Frontline Ltd. (“Frontline”). In addition to the fixed base charter rate, Ship Finance is also entitled to receive 20% of the time charter equivalent (“TCE”) earnings for these vessels in excess of a base charter rate. The average vessel earnings have consistently been above the base charter rates since the Company’s inception in 2003/2004, and the profit share accumulated in the first half of 2009 was \$22.5 million.

The spot tanker market earnings declined during the first quarter of 2009 and stayed under pressure throughout the second quarter. Despite the soft spot market, Ship Finance accumulated in excess of \$8 million in profit share from our vessels chartered to Frontline. There has been a positive contribution from this profit share arrangement every quarter since 2004, and the payment of charter hire under the charter agreements is secured by a \$216 million charter service reserve. Several of the vessels have been sub-chartered by Frontline on medium-term charters at rates substantially above the base charter rates. These vessels will continue to add a positive contribution to the profit share if the spot market remains soft. According to market sources, the spot tanker market has remained at low levels so far in the third quarter.

In July, Seadrill exercised a purchase option for the jack-up drilling rig *West Ceres* in combination with a sale of the rig to an unrelated third party. Ship Finance acquired the rig in 2006 and it was chartered to Seadrill on a 15-year bareboat charter where Seadrill were granted certain fixed price purchase options, first time in 2009. The pre-agreed option price was \$135 million and Ship Finance received approximately \$40 million in net cash proceeds after prepaying the outstanding bank loan. The sale is not expected to generate a book gain or loss in the third quarter as the book value of the rig was equal to the purchase option price.

In July, the Company announced the sale of the single hull VLCC *Front Duchess* to an unrelated third party for net sales proceeds of \$18.8 million. Delivery to the new owner is expected to take place in early September 2009. Net of an estimated \$2.5 million charter cancellation compensation to Frontline and approximately \$13.8 million in bank loans outstanding against the vessel, the net cash effect to Ship Finance from the transaction is estimated to be approximately \$2.5 million in the third quarter. Following the impairment charges on single-hull vessels, no additional gain or loss is expected in the Company’s Income Statement in connection with the sale.

Corporate and Other Matters

In June 2009, Mr. Ole B. Hjertaker accepted the promotion to CEO in our management company, Ship Finance Management AS. Mr. Hjertaker was previously Chief Financial Officer (“CFO”) of the management company and has served in this position since 2006. He will continue to act as CFO in an interim period.

In July 2009 a total of 505,000 new options were awarded to employees while all of the 355,000 previously awarded options to employees were cancelled. The new options have been issued pursuant to the Company's Share Option Scheme and will have a five-year term with a three-year vesting period. The initial strike price is \$10.64, which is equal to the weighted average share price for the three trading days following the date of the announcement of the award. The first options will be exercisable in July 2010.

The Company has used TRS agreements to effectively achieve the economic effect of repurchasing shares. As of June 30, 2009, the Company controlled approximately 692,000 shares through a TRS agreement. The shares are legally owned by the bank that is the counterparty to TRS agreement. In the second quarter of 2009, the fair value of this agreement increased by \$3.5 million, which has been recorded in mark-to-market of derivatives.

In April 2009, approximately 55% of our shareholders elected to receive the dividend with respect of the fourth quarter 2008 in newly issued shares, and consequently the Company issued approximately 2.1 million shares.

In May 2009 and June 2009, the Company issued and sold a total of approximately 1.4 million new shares under the Company's "At the Market" ("ATM") equity program. The shares were sold at a weighted average price of \$12.24 resulting in net proceeds to Ship Finance of approximately \$16.5 million. The proceeds were used to partially finance the repurchase of the Company's Senior Notes. Though the Company has sold only 20% of the 7 million shares registered under the ATM program, the Company has now decided to discontinue the program. The remaining 5.6 million shares will therefore not be sold.

In June 2009, approximately 52% of our shareholders elected to receive the dividend with respect of the first quarter of 2009 in newly issued shares. Consequently, the Company issued approximately 1.0 million shares in July 2009, and following this share issue the total number of shares outstanding is currently 77.3 million.

Strategy and Outlook

Ship Finance's strategy is to charter out the majority of our assets on long-term charters to reputable operators in the shipping and offshore markets. Our diversified and extensive charter portfolio with more than 13 years of remaining weighted charter revenue puts the Company in a strong position, supporting a predictable long-term dividend capacity.

In the current uncertain shipping and financial markets, we are committed to manage the Company conservatively to protect the shareholders' interests. The Company continues to benefit from a strong charter portfolio, low capital commitments and healthy capital structure, and the management expects that a continued significant positive cash flow from operations will further enhance our buffer and ability to take advantage of investment opportunities when timing is deemed favorable.

Forward Looking Statements

This press release 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 worldwide 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.

OFFERING PURSUANT TO A PROSPECTUS SUPPLEMENT

The offering of the stock dividend will be made only pursuant to a prospectus supplement to the Company's shelf registration statement on Form F-3, as amended (Registration No. 333-158162), which is filed with the SEC. This report does not constitute an offer to sell or the solicitation of an offer to buy shares of the Company's securities, nor will there be any sale of the securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful. Shareholders are advised to refer to the registration statement filed with the SEC and the prospectus supplement, which will be filed with the SEC, for additional information regarding the dividend.

August 20, 2009
The Board of Directors
Ship Finance International Limited
Hamilton, Bermuda

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SHIP FINANCE INTERNATIONAL LIMITED
SECOND QUARTER 2009 REPORT (UNAUDITED)

INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	Three months ended		Six months ended		Full year
	Jun 30, 2009	Jun 30, 2008	Jun 30, 2009	Jun 30, 2008	2008 <i>(audited)</i>
Charter revenues - operating lease	17,947	18,703	36,568	37,005	75,209
Charter revenues - finance lease	108,428	140,129	217,838	258,119	483,480
Revenues classified as Repayment of investment in finance leases	(46,201)	(71,061)	(92,017)	(119,137)	(211,305)
Profit share income	8,015	33,111	22,502	66,781	110,962
Total operating revenues	88,189	120,882	184,891	242,768	458,346
Gain / (loss) on sale of assets	-	10,586	-	17,377	17,377
Vessel operating expenses	(23,438)	(24,672)	(47,084)	(49,990)	(100,447)
Administrative expenses	(2,358)	(2,835)	(5,118)	(5,532)	(9,836)
Depreciation	(7,533)	(7,194)	(14,983)	(13,193)	(28,038)
Vessel impairment adjustments	(26,756)	-	(26,756)	-	-
Total operating expenses	(60,085)	(34,701)	(93,941)	(68,715)	(138,321)
Operating income	28,104	96,767	90,950	191,430	337,402
Results in associate⁽¹⁾	18,889	233	39,379	461	22,799
Interest income	63	1,082	149	1,909	3,478
Interest expense	(29,361)	(29,871)	(61,834)	(63,341)	(127,192)
Other financial items	(292)	(144)	(1,247)	(404)	(349)
Impairment adjustment to investment	(7,110)	-	(7,110)	-	-
Mark to Market of Derivatives	20,648	3,214	13,310	1,036	(54,527)
Gain on re-purchase of Company Bonds	22,601	-	22,601	-	-
Taxes	-	-	-	-	-
Net income	53,542	71,281	96,198	131,091	181,611
Basic earnings per share (\$)	0.72	0.98	1.30	1.80	2.50
Weighted average number of shares	74,080,171	72,743,737	73,812,828	72,743,737	72,743,737
Common shares outstanding	76,239,001	72,743,737	76,239,001	72,743,737	72,743,737

(1) Three of our 100% owned subsidiaries, owning four of our units are accounted for as 'Investment in associate', and only the net income from these subsidiaries is therefore included in our consolidated Income Statement.

SHIP FINANCE INTERNATIONAL LIMITED
SECOND QUARTER 2009 REPORT (UNAUDITED)

BALANCE SHEET <i>(in thousands of \$)</i>	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008 (audited)
ASSETS			
<i>Short term</i>			
Cash and cash equivalents	61,367	86,422	46,075
Restricted cash	813	34,927	60,103
Amount due from related parties	21,758	60,736	45,442
Other current assets	167,269	202,106	179,922
<i>Long term</i>			
Newbuildings	88,822	47,681	69,400
Vessels and equipment, net	571,836	571,562	586,816
Investment in finance leases	1,816,223	1,990,050	1,916,510
Investment in associate ⁽¹⁾	452,835	4,993	420,977
Deferred charges	12,698	16,454	14,696
Other long-term assets	1,841	4,028	8,545
Total assets	3,195,462	3,018,959	3,348,486
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term and current portion of long term interest bearing debt	394,482	163,759	385,577
Other current liabilities	26,039	42,811	101,193
Amount due to related parties	45,413	6,485	6,472
<i>Long term</i>			
Long term interest bearing debt	1,960,697	2,098,165	2,209,939
Other long term liabilities	96,704	35,087	127,955
Stockholders' equity ⁽²⁾	672,127	672,652	517,350
Total liabilities and stockholders' equity	3,195,462	3,018,959	3,348,486

- (1) Three of our 100% owned subsidiaries, owning four of our units, are accounted for as 'Investment in associate'. Stockholder's equity in each subsidiary is adjusted for current account balance.
- (2) As of June 30, 2009, 'Stockholders' equity' excludes \$207.1 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.

SHIP FINANCE INTERNATIONAL LIMITED
SECOND QUARTER 2009 REPORT (UNAUDITED)

STATEMENT OF CASHFLOWS <i>(in thousands of \$)</i>	Three months ended		Six months ended		Full year
	Jun 30, 2009	Jun 30, 2008	Jun 30, 2009	Jun 30, 2008	2008 <i>(audited)</i>
OPERATING ACTIVITIES					
Net income	53,542	71,281	96,198	131,091	181,611
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortisation	7,985	7,716	15,957	14,664	31,048
Asset impairment adjustments	33,866	-	33,866	-	-
Adjustment of financial derivatives to market value	(20,648)	(3,214)	(13,310)	(1,036)	54,527
Gain on sale of assets	-	(10,586)	-	(17,377)	(17,377)
Result in associate	(18,889)	(233)	(39,379)	(461)	(22,799)
Stock based compensation	265	328	550	721	1,457
Gain on re-purchase of Company Bonds	(22,601)	-	(22,601)	-	-
Other	(85)	(894)	(303)	(2,074)	(2,956)
Change in operating assets and liabilities ⁽¹⁾	(24,116)	(46,067)	10,869	(23,147)	(14,125)
Net cash provided by operating activities	9,319	18,331	81,847	102,381	211,386
INVESTING ACTIVITIES					
Repayment of investments in finance leases	45,949	71,062	91,516	119,137	210,348
Restricted cash released/(placed)	53,521	624	59,290	(7,944)	(33,120)
Proceeds from sale of vessel/new buildings ⁽²⁾	-	(26,847)	-	23,005	23,005
Received in respect of terminated contract	-	-	-	-	1,845
Net investment in newbuildings	(8,139)	(483)	(19,006)	(734)	(22,395)
Purchase of vessels	-	(30,100)	(0)	(134,100)	(164,200)
Cash received from/(Investment in) associates	18,873	(2)	30,860	(2)	(442,891)
Other assets / investments	(5)	(2,020)	(254)	(2,020)	(6,537)
Net cash (used in) provided by investing activities	110,199	12,234	162,406	(2,658)	(433,945)
FINANCING ACTIVITIES					
Proceeds from long and short term debt	90,000	52,500	134,500	129,500	576,973
Expenses paid in connection with securing finance	(262)	(606)	(429)	(1,383)	(1,551)
Repayment of long and short term debt	(60,904)	(54,673)	(182,331)	(137,570)	(251,451)
Re-purchase of Company bonds	(125,405)	-	(125,405)	-	-
Cash settlement of derivatives	(18,285)	(1,358)	(18,285)	(1,358)	(10,655)
Cash received from share issue	16,454	-	16,454	-	-
Cash dividends paid	(9,819)	(40,737)	(53,465)	(80,745)	(122,937)
Net cash provided by (used in) financing activities	(108,221)	(44,874)	(228,961)	(91,556)	190,379
Net (decrease) increase in cash and cash equivalents	11,297	(14,309)	15,292	8,167	(32,180)
Cash and cash equivalents at start of period	50,070	100,731	46,075	78,255	78,255
Cash and cash equivalents at end of period	61,367	86,422	61,367	86,422	46,075

(1) In 2008, the negative figure in net proceeds from the sale of vessels is the termination fee paid to Frontline in relations to the sale of Front Sabang.

**SUBSIDIARIES ACCOUNTED FOR AS INVESTMENT IN ASSOCIATES
SECOND QUARTER 2009 (UNAUDITED)**

Please note that full preliminary accounts for SFL West Polaris Limited, SFL Deepwater Ltd and Front Shadow Inc. are available from the Company's website: www.shipfinance.org.

Selected income statement data for the three months ended June 30, 2009

INCOME STATEMENT <i>(in thousands of \$)</i>	SFL West Polaris Limited	SFL Deepwater Ltd	Front Shadow Inc	Total
Charter revenues - finance lease	31,740	57,874	738	90,352
Revenues classified as Repayment of investment in finance leases	(17,195)	(34,562)	(403)	(52,160)
Total operating expenses	(13)	(15)	(2)	(30)
Operating income	14,532	23,297	333	38,162
Interest expense	(8,831)	(10,356)	(83)	(19,270)
Other financial items	(2)	(1)	(0)	(3)
Net income ⁽¹⁾	5,699	12,940	250	18,889

(1) Net income from these 100% owned subsidiary appears in the Company's consolidated income statement as 'Results in associate'.

Selected balance sheet data as of June 30, 2009

BALANCE SHEET <i>(in thousands of \$)</i>	SFL West Polaris Limited	SFL Deepwater Ltd	Front Shadow Inc	Total
ASSETS				
<i>Short term</i>				
Cash and cash equivalents	1	2	234	237
Due from related parties	25,753	25,267	-	51,020
Other current assets	71,868	146,131	1,786	219,785
<i>Long term</i>				
Investment in finance leases	727,611	1,474,861	22,536	2,225,008
Deferred charges	3,677	17,164	69	20,910
Derivative instruments receivable	-	5,453	-	5,453
Total assets	828,910	1,668,878	24,625	2,522,413
LIABILITIES AND STOCKHOLDERS' EQUITY				
<i>Short term</i>				
Short term and current portion of long term interest bearing debt	71,250	151,417	2,060	224,727
Other current liabilities	5,165	8,228	6	13,399
Amounts due to related parties	-	-	1,918	1,918
<i>Long term</i>				
Long term interest bearing debt	582,583	1,177,875	15,490	1,775,948
Sellers credit in favor of charterer	-	-	2,600	2,600
Derivative instruments payable	31,358	-	-	31,358
Stockholders equity ⁽¹⁾	138,554	331,358	2,551	472,463
Total liabilities and stockholders' equity	828,910	1,668,878	24,625	2,522,413

(1) Stockholder's equity adjusted for current account balance appears in the Company's consolidated balance sheet as 'Investment in associate'.