

**Presentation of
Q2 2004 results,
August 19, 2004**



Agenda

- **Introduction**
- **Corporate financial status**
- **Other**

The Fleet

23 VLCCs



- Oldest ship from 1990
- Average age: 9.2 years
- Industry average: 8.3 years
- Double hull tonnage: 66 %
- Industry average: 62 %

16 Suezmaxes

8 Suezmax OBOs

= 10.8 million dwt. or approximately 70 million barrels transport capacity.

Main events Q2/Q3 2004

- A dividend of USD 0.25 per share for Q1 2004 was paid out in July.
- 25 % of Ship Finance's common shares distributed to Frontline's common shareholders on June 16, 2004.
- Ship Finance listed on New York Stock Exchange on June 17, 2004.
- In the third quarter Ship Finance, completed a private placement of USD 25.2 million.
- Ship Finance has bought back USD 20 million of the Company's USD 580 million 8.5% Senior Notes and has purchased a further USD 5 million to date in the third quarter. The repurchased Notes will be cancelled.
- The 20% profit share in any earnings the charterer makes above the fixed charter rates is calculated on an annual basis. So far this year approx. USD 40 million has been accumulated of which USD 5.7 million has been accounted for in accordance with US generally accepted accounting principles.

USD 0.35 cash dividend per share

•Ship Finance announces a cash dividend of USD 0.35 per share for Q2 2004. The record date for the dividend is August 30, 2004, ex dividend date is August 26, 2004 and the dividend will be paid on or about September 13, 2004.

•Reasons for dividend increase:

- General market outlook
- Profit sharing for 2004 and likely 2005
- Increase in value of underlying assets
- Buy back of USD 25 million of bonds
- Bank amortisation profile and ability to expand the Company 5%-10% p.a.

- Frontline has announced that the company will distribute a further 10 percentage points of Frontline's shares in Ship Finance to Frontline shareholders.

Profit & Loss

2004 Apr-Jun	INCOME STATEMENT <i>(in thousands of \$)</i>	2004 Jan-Jun	2003 Jan-Dec <i>(Audited)</i>	2003 Jan-Dec Predecessor <i>(Audited)</i>
93,247	Total operating revenues	219,513	-	695,068
798	Voyage expenses	8,971	-	148,533
23,739	Ship operating expenses	48,377	-	81,989
1,028	Administrative expenses	1,514	14	9,715
8,515	Depreciation	21,786	-	106,015
34,080	Total operating expenses	80,648	(14)	346,252
59,167	Operating income (loss)	138,865	(14)	348,816
794	Interest income	2,269	199	5,866
(23,490)	Interest expense	(48,929)	(2,122)	(35,117)
-	Share of results from associated companies	-	-	22,098
25,743	Other financial items	13,991	-	3,591
(20)	Foreign currency exchange gain (loss)	116	-	(10,442)
62,194	Net income (loss)	106,312	(1,937)	334,812

Balance sheet

CONDENSED BALANCE SHEET <i>(in thousands of \$)</i>	2004 Jun 30	2003 Dec 31	2003 Dec 31 Predecessor
		<i>(Audited)</i>	<i>(Audited)</i>
ASSETS			
<i>Short term</i>			
Cash and cash equivalents	40,024	565,500	26,519
Other current assets	125,974	211	84,545
<i>Long term</i>			
Newbuildings and vessel purchase options	-	-	8,370
Vessels and equipment, net	518,479	-	1,863,504
Investment in finance leases	1,501,102	-	-
Investment in associated companies	-	-	160,082
Deferred charges and other long-term assets	37,394	16,481	13,328
Total assets	2,222,973	582,192	2,156,348
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term interest bearing debt	88,843	-	141,522
Amount due to parent	-	102	299,166
Other current liabilities	26,286	4,015	43,546
<i>Long term</i>			
Long term interest bearing debt	1,465,431	580,000	850,088
Other long term liabilities	-	-	-
Stockholders' equity	642,413	(1,925)	822,026
Total liabilities and stockholders' equity	2,222,973	582,192	2,156,348

Breakeven rates (USD / day)



	Cash Breakeven	P/L Breakeven
VLCC	18 383	20 306
Suezmax	15 884	16 817
Suezmax OBO	18 059	18 827

Strategy

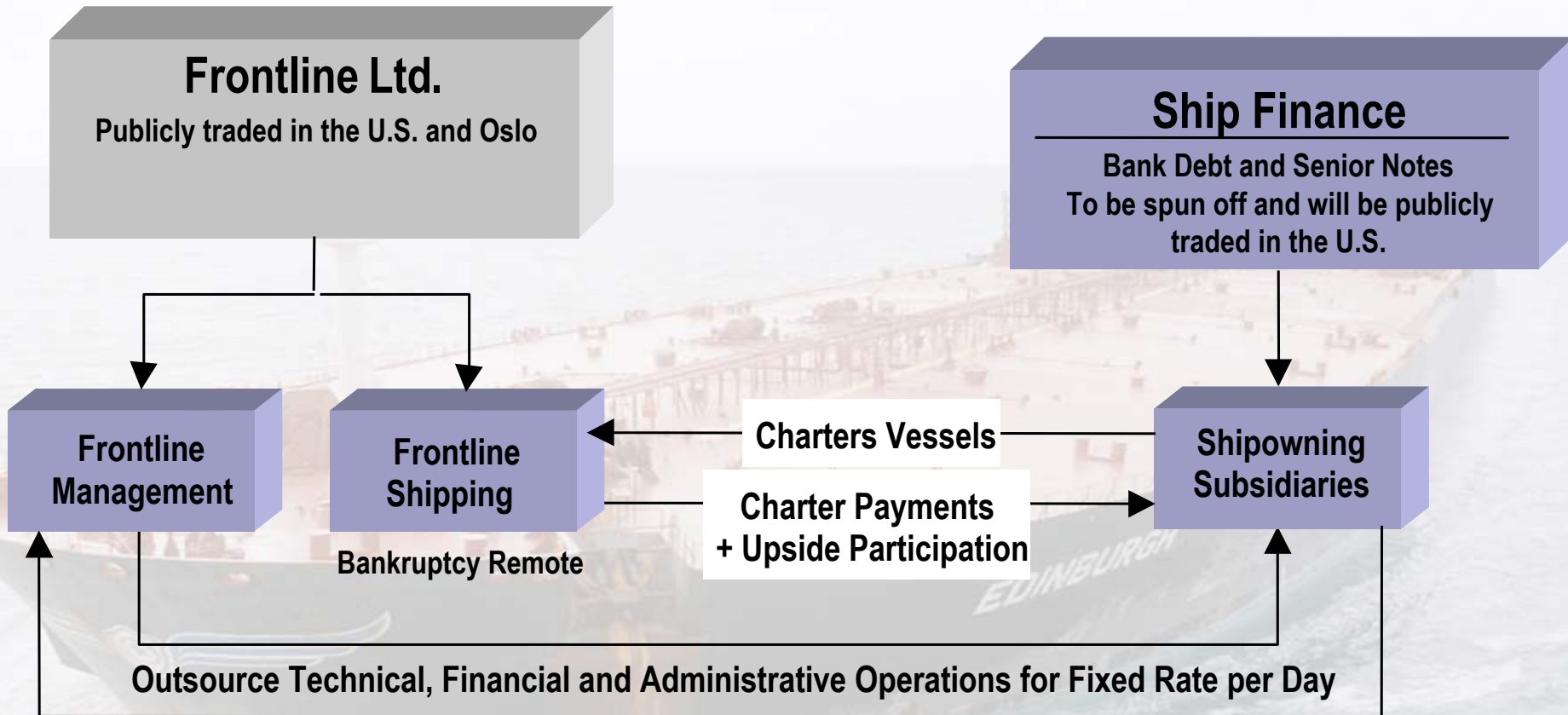
- Focus on tanker segment
- Consider refinancing



Appendixes



The New Frontline



Transaction Rationale

- Observation
 - Due to high industry cyclicality, shipping companies have typically traded at low valuation multiples
- Solution
 - Create value by bifurcating the business
 - Ship Finance - asset-based, stable cash flow company, with significant upside potential
 - Frontline Ltd. - growth company with shipping industry characteristics
 - Other industries, characterized by long-lived assets, have performed similar transactions
- Target
 - Continued consolidation of the tanker market by efficiently utilizing vehicles that appeal to different investor profiles

Key Elements of Ship Finance

- Ship Finance International Limited (SFIL) was founded in October 2003 as a 100% owned subsidiary of Frontline Ltd.
- SFIL made an agreement to purchase 47 vessels from Frontline Ltd. for \$2,108 million and lease them back to Frontline Shipping Limited (100% owned FL Ltd. Subsidiary) on charters with a duration of 90% of remaining useful life of the vessels
- Senior Notes in an amount of \$580 million was closed in December 2003. The funds were put on escrow until SFIL has completed the purchase of at least 45 vessels,
- SFIL's revenue stream is fixed time charter payments from 47 vessels
 - Initial rate of \$25,575 for a VLCC and \$21,100 for a Suezmax
 - Bonus payment of 20% of dayrates achieved in excess of the initial rates
 - Non-cancelable except for constructive total loss

Key Elements of Ship Finance

- Charter payments supported by a \$250 million cash balance at Frontline Shipping
 - Distributions to Frontline are prohibited if cash is below \$250 million
- All technical management and operations will be subcontracted to Frontline Management at a fixed turnkey rate of \$6,500 per day per vessel
 - The management services will be guaranteed by Frontline
 - Limited operational risk
- \$1,058 million bank facility arranged by Citibank and Nordea was raised and closed Feb. 17, 2004
 - Interest rate of LIBOR + 1.25%
 - An amount of USD 500 million is swapped at fixed interest rate 3.4%
- The escrow Senior Notes funds were released Feb. 27, 2004

Sales type lease accounting

- Ship Finance is accounting for 34 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,
- 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