



**Presentation of  
Q3 2004 results,  
November 15, 2004**

# Agenda

- **Main events**
- **Dividend and shareholder structure**
- **Corporate financial status**
- **Other**

# Main events Q3/Q4 2004

- A dividend of USD 0.35 per share for Q2 2004 was paid out in September.
- 10 % of Ship Finance's common shares distributed to Frontline's common shareholders in September.
- In the third quarter Ship Finance, completed a private placement of USD 25.2 million.
- Ship Finance has bought back USD 50 million of the Company's USD 580 million 8.5% Senior Notes. The repurchased Notes are 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 61.9 million has been accumulated of which USD 36.7 million has been accounted for in the quarter (USD 42.4 million year to date) in accordance with US generally accepted accounting principles.
- OTC listing in Oslo in October.

# USD 0.45 cash dividend per share

•Ship Finance announces a cash dividend of USD 0.45 per share for Q3 2004. The ex dividend date is November 23, 2004, record date is November 25, 2004 and the dividend will be paid on or about December 7, 2004.

•Reasons for the dividend increase:

- General market outlook

- Profit sharing for 2004 and likely 2005

- Increase in value of underlying assets

- Buy back of USD 50 million of bonds and refinancing of bank facility will yield annual interest expense savings of USD 9 million,

- Bank amortisation profile and ability to expand the Company 5%-10% p.a.

- Frontline has announced that the company will distribute a further 13.2 percentage points of Frontline's shares in Ship Finance to Frontline shareholders. After this spin off Frontline holds approximately 50.3% of the shares in Ship Finance.

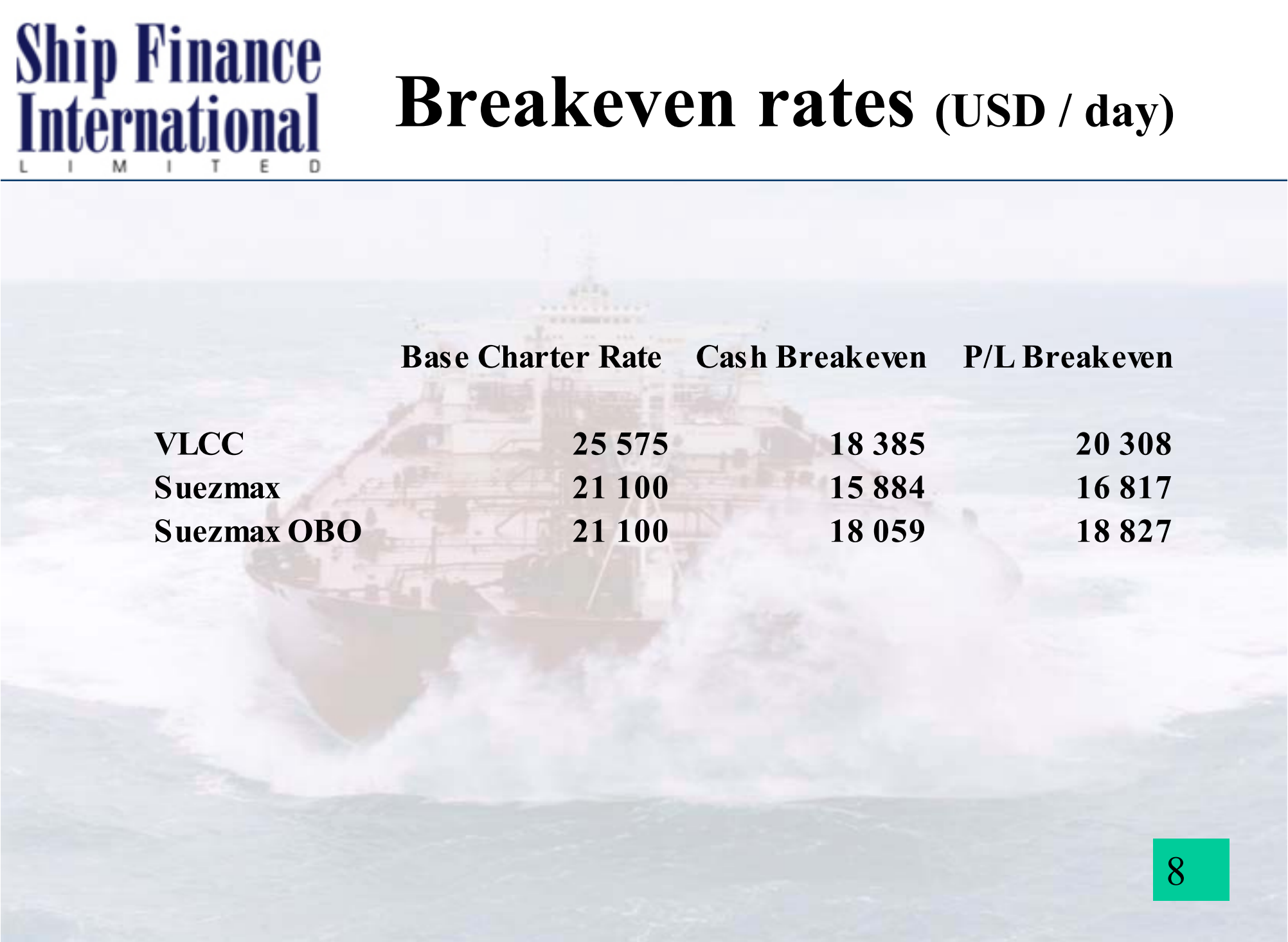
# Profit & Loss

<b>2004 Jul-Sep</b>	<b>INCOME STATEMENT</b> <i>(in thousands of \$ except per share data)</i>	<b>2004 Jan-Sep</b>	<b>2003 Jan-Dec</b> <i>(Audited)</i>	<b>2003 Jan-Dec Predecessor</b> <i>(Audited)</i>
<b>121,074</b>	<b>Total operating revenues</b>	<b>340,587</b>	-	<b>695,068</b>
795	Voyage expenses	9,765	-	148,533
23,619	Ship operating expenses	71,998	-	81,989
1,315	Administrative expenses	2,829	14	9,715
7,693	Depreciation	29,478	-	106,015
<b>33,422</b>	<b>Total operating expenses</b>	<b>114,070</b>	<b>(14)</b>	<b>346,252</b>
<b>87,652</b>	<b>Operating income (loss)</b>	<b>226,517</b>	<b>(14)</b>	<b>348,816</b>
(76)	Interest income	2,193	199	5,866
(24,209)	Interest expense	(73,138)	(2,122)	(35,117)
-	Share of results from associated companies	-	-	22,098
(10,477)	Other financial items	3,512	-	3,591
(74)	Foreign currency exchange gain (loss)	43	-	(10,442)
<b>52,816</b>	<b>Net income (loss)</b>	<b>159,127</b>	<b>(1,937)</b>	<b>334,812</b>
<b>\$0.70</b>	<b>Basic earnings per share amounts (\$)</b>	<b>\$2.14</b>	-	<b>\$4.53</b>

# Balance sheet

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2004</b> <b>Sep 30</b>	<b>2003</b> <b>Dec 31</b>	<b>2003</b> <b>Dec 31</b> <b>Predecessor</b> <i>(Audited)</i>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	69,171	565,500	26,519
Other current assets	123,279	211	84,545
<i>Long term</i>			
Newbuildings and vessel purchase options	8,370	-	8,370
Vessels and equipment, net	347,126	-	1,863,504
Investment in finance leases	1,556,010	-	-
Investment in associated companies	-	-	160,082
Deferred charges and other long-term assets	27,931	16,481	13,328
<b>Total assets</b>	<b>2,131,887</b>	<b>582,192</b>	<b>2,156,348</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	88,845	-	141,522
Amount due to parent	-	102	299,166
Other current liabilities	19,544	4,015	43,546
<i>Long term</i>			
Long term interest bearing debt	1,412,875	580,000	850,088
Other long term liabilities	1,679	-	-
Stockholders' equity	608,944	(1,925)	822,026
<b>Total liabilities and stockholders' equity</b>	<b>2,131,887</b>	<b>582,192</b>	<b>2,156,348</b>

# Breakeven rates (USD / day)



	<b>Base Charter Rate</b>	<b>Cash Breakeven</b>	<b>P/L Breakeven</b>
<b>VLCC</b>	<b>25 575</b>	<b>18 385</b>	<b>20 308</b>
<b>Suezmax</b>	<b>21 100</b>	<b>15 884</b>	<b>16 817</b>
<b>Suezmax OBO</b>	<b>21 100</b>	<b>18 059</b>	<b>18 827</b>

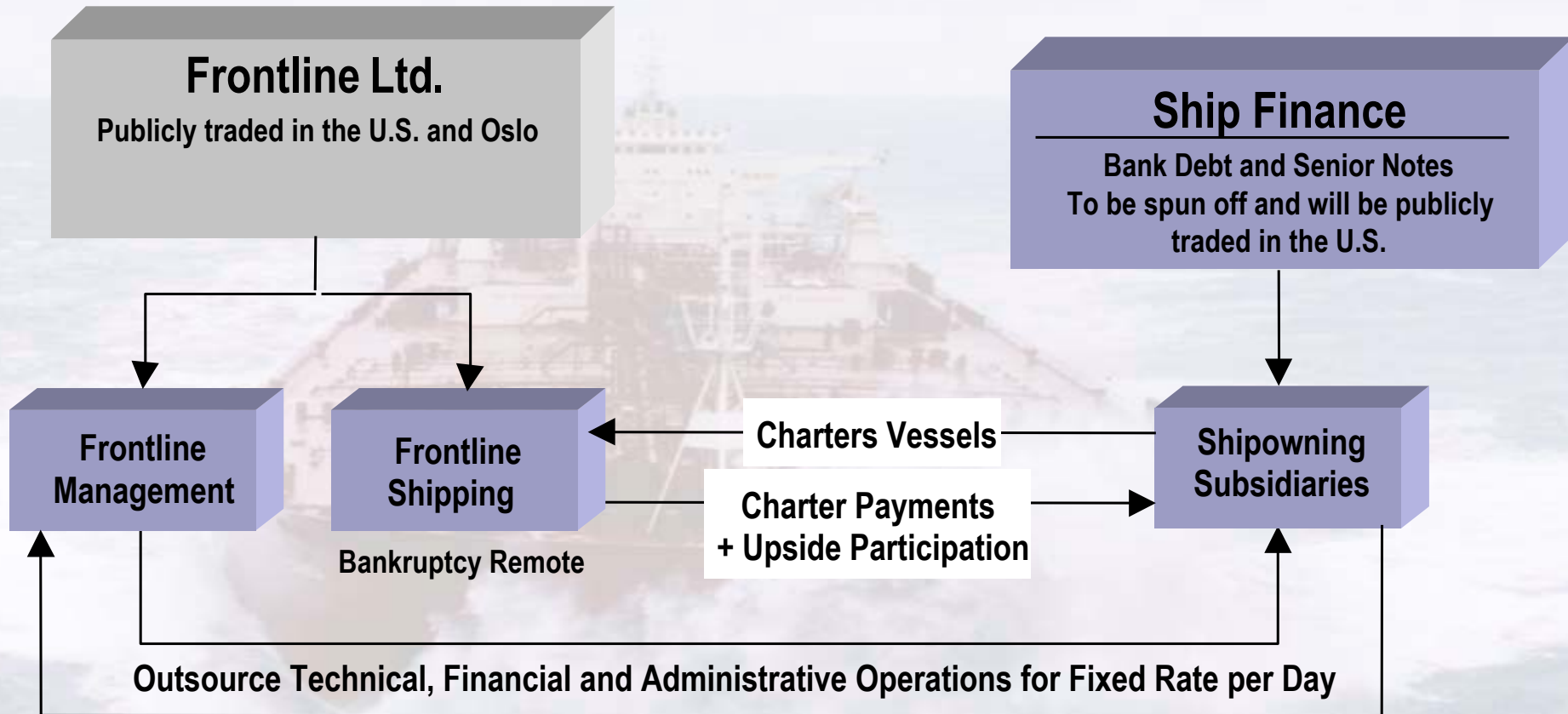
# Strategy

- Focus on tanker segment
- Expand the business 5-10% p.a.
- Refinancing bank debt



# 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