

**Presentation of
Q4 2004 results,
February 23, 2005**



The Fleet

25 VLCCs

16 Suezmaxes

8 Suezmax OBOs



Agenda

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

Main events Q4 2004/Q1 2005

- A dividend of \$0.45 per share for Q3 2004 was paid out in December.
- 13.2 percentage points of Frontline's shares in Ship Finance distributed to Frontline's common shareholders in December.
- The 20% profit share in any earnings the charterer makes above the fixed charter rates is calculated on an annual basis, and for 2004 this is calculated to \$114.9 million, of which \$42.5 million has been accounted for in previous quarters in accordance with US generally accepted accounting principles.
- OTC listing in Oslo in October.
- A further 25% of the total shares in Ship Finance distributed to Frontline's common shareholders in February 2005. Frontline's remaining holding in SFL after this distribution is 25.78%.

Main events Q4 2004/Q1 2005

- Purchase of Front Champion and Front Century in January 2005 for USD 196 million en bloc. The vessels will be chartered back to FRO for 199 and 204 months respectively, basically following the structure in place for the other vessels chartered to FRO. This includes a 20% profit split element in excess of the base charter rates mentioned below.
- The new time charter rate for Front Century and Front Champion will be \$31,368 per day declining to \$28,492 per day in 2019 (360 day basis). The charter rate consists of two components - the first part will be the same rate that was in the Front Fighter rate applied on the two vessels, and the second part will be based on the incremental investment made by SFL of \$127.75 million.
- Golden Victory and the two Pertamina vessels will also be sold to Ship Finance and chartered back to FRO on long term charters.
- In January 2005 the Company's bank debt was refinanced.

USD 0.50 cash dividend per share

- Ship Finance announces a cash dividend of \$0.50 per share for Q4 2004, consisting of an ordinary dividend of \$0.45 and a supplementary dividend of \$0.05 per share.
- The ex dividend date is March 3, 2005, record date is March 7, 2005 and the dividend will be paid on or about March 18, 2005.

- Frontline has announced that the company will distribute a further 10 percentage points of Frontline's shares in Ship Finance to Frontline shareholders. After this spin off Frontline holds approximately 16 percent of the shares in Ship Finance.

Profit & Loss

2004 Oct-Dec	INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	2004 Jan-Dec	2003 Jan-Dec <i>(Audited)</i>	2003 Jan-Dec Predecessor <i>(Audited)</i>
151,482	Total operating revenues	492,069	-	695,068
212	Voyage expenses	9,978	-	148,533
24,509	Ship operating expenses	96,505	-	81,989
983	Administrative expenses	3,812	14	9,715
5,139	Depreciation	34,617	-	106,015
30,843	Total operating expenses	144,912	(14)	346,252
120,639	Operating income (loss)	347,157	(14)	348,816
374	Interest income	2,567	199	5,866
(22,796)	Interest expense	(95,933)	(2,122)	(35,117)
-	Share of results from associated companies	-	-	22,098
5,267	Other financial items	8,780	-	3,591
45	Foreign currency exchange gain (loss)	88	-	(10,442)
103,529	Net income (loss)	262,659	(1,937)	334,812
\$1.38	Basic earnings per share amounts (\$)	\$3.52	-	\$4.53

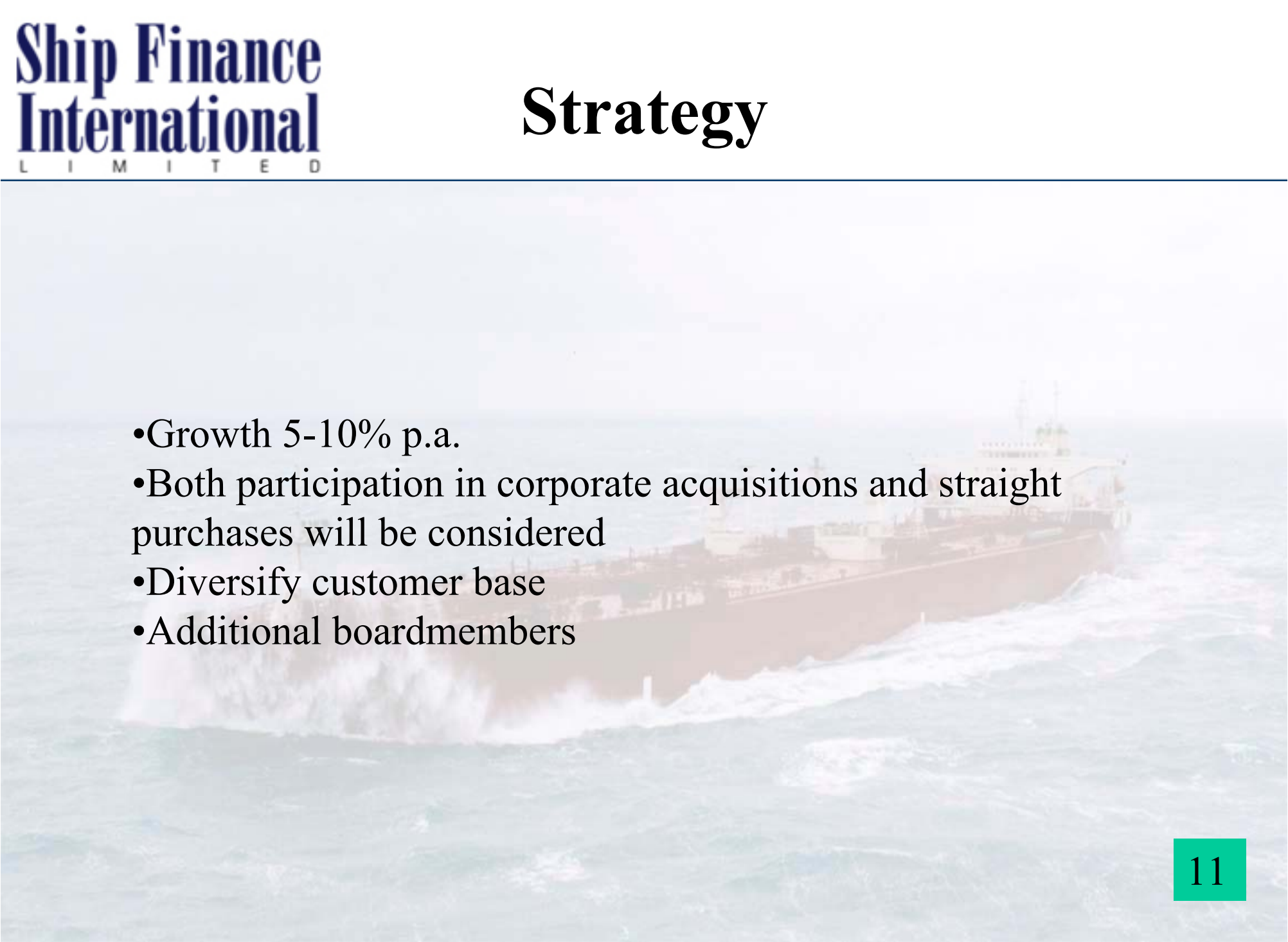
Balance sheet

BALANCE SHEET <i>(in thousands of \$)</i>	2004 Dec 31	2003 Dec 31 <i>(Audited)</i>	2003 Dec 31 Predecessor <i>(Audited)</i>
ASSETS			
<i>Short term</i>			
Cash, restricted cash and cash equivalents	34,572	565,500	26,519
Other current assets	197,285	211	84,545
<i>Long term</i>			
Newbuildings and vessel purchase options	8,370	-	8,370
Vessels and equipment, net	236,305	-	1,863,504
Investment in finance leases	1,641,644	-	-
Investment in associated companies	-	-	160,082
Deferred charges and other long-term assets	34,761	16,481	13,328
Total assets	2,152,937	582,192	2,156,348
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term interest bearing debt	91,308	-	141,522
Amount due to parent	-	102	299,166
Other current liabilities	8,958	4,015	43,546
<i>Long term</i>			
Long term interest bearing debt	1,387,586	580,000	850,088
Other long term liabilities	4,103	-	-
Stockholders' equity	660,982	(1,925)	822,026
Total liabilities and stockholders' equity	2,152,937	582,192	2,156,348

Breakeven rates (USD / day)

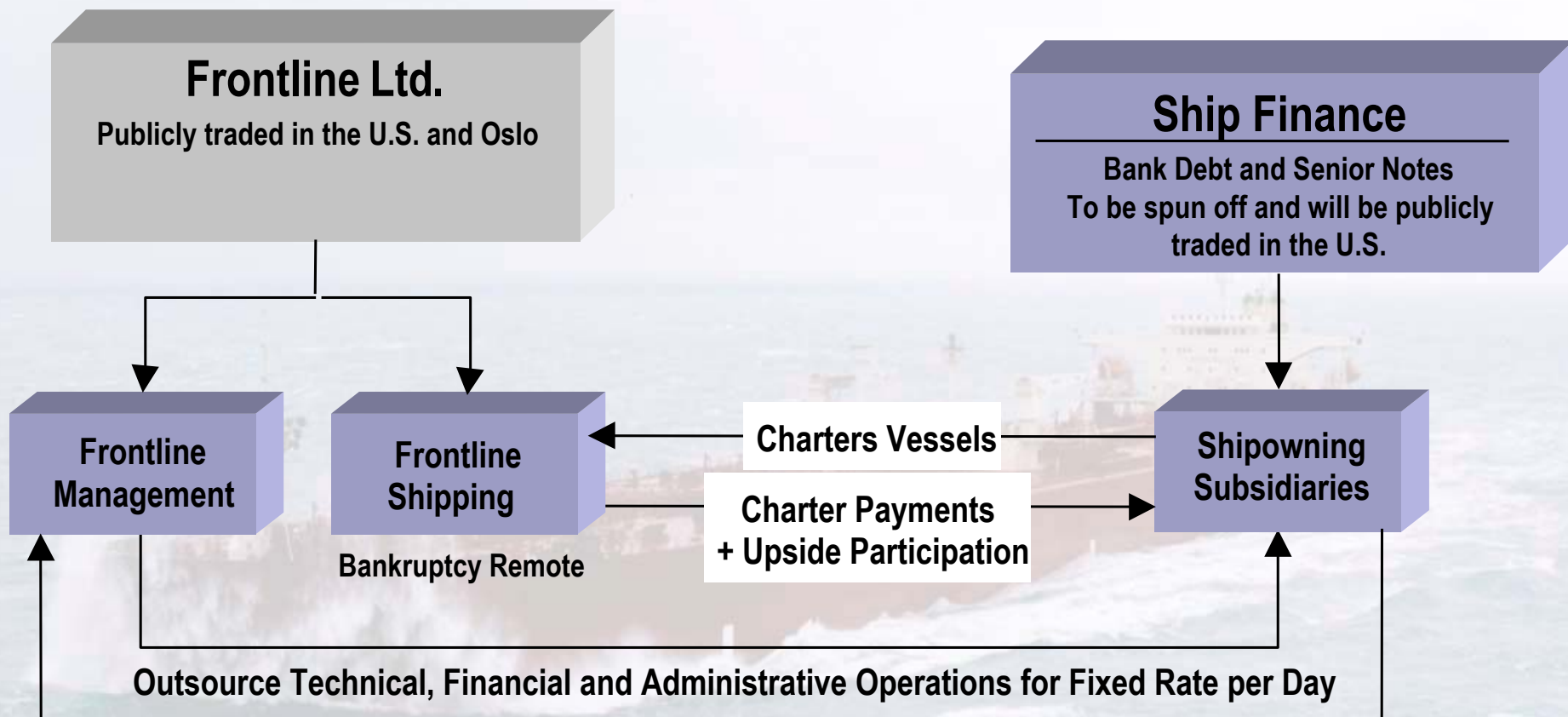
	Base Charter Rate	Cash Breakeven
VLCC	25 575	17 509
Suezmax	21 100	15 676
Suezmax OBO	21 100	18 650

Front Century / Front Champion base rate 31,100-31,500 p.d.

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- A large cargo ship is shown sailing on the ocean, viewed from a distance. The ship is dark-colored with a white superstructure. The water is choppy with whitecaps. The sky is overcast and grey.
- Growth 5-10% p.a.
 - Both participation in corporate acquisitions and straight purchases will be considered
 - Diversify customer base
 - Additional boardmembers

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%
- \$1,131 million bank facility arranged by DnB Nor, Nordea, Calyon and Fortis was raised and closed February 4, 2005
 - Interest rate of LIBOR + 0.70%

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