

**Presentation of
Q1 2005 results,
May 31, 2005**



Main events Q1 2005/Q2 2005

- In January 2005 the Company's bank debt was refinanced, charged USD 11.7 million,
- A dividend of \$0.50 per share for Q4 2004 was paid out in March,
- 25% and a further 10 percentage points of Frontline's shares in Ship Finance distributed to Frontline's common shareholders in February and March 2005, respectively,
- Sale of Front Fighter in January, gain of USD 28 million delayed for accounting purposes,
- Purchase of Front Champion and Front Century in January 2005 for USD 196 million en bloc and Golden Victory in March 2005 for USD 98 million,
- The two Pertamina vessels will also be sold to Ship Finance and chartered back to FRO on long term charters.
- The 5 new VLCCs will be financed with a combination of bank debt and cash,
- In January 2005, Ship Finance exercised its option to acquire the VLCC Oscilla from an unrelated third party and the vessel was delivered in April and renamed Front Scilla,

Main events Q1 2005/Q2 2005

- Ship Finance sells three Suezmax tankers, Front Lillo, Front Emperor and Front Spirit, for a total consideration of USD 92.0 million.
- Concurrently, Frontline will sell three similar vessels to Ship Finance for an aggregate price of USD 92.0 million..
- In May Ship Finance acquired two new building 1,700 teu Containerships, which will be delivered from Wenchong Shipyard in China in May and November this year. The purchase price for each ship is USD 49.25 million. The first ship has already been chartered out to the Korean containership operator Heung A for a period of four years from delivery at a rate of approximately USD 28,000 per day.

Strategy

- Growth 5-10% p.a.
- Both participation in corporate acquisitions and straight purchases will be considered
- Diversify customer base
- Additional boardmembers / Sarbox requirements

Growth

**Annual revenue base in
2004 USD 385 million**

Increase in revenue base

(based on timecharter income in \$ million)	Q105	Q205	Full quarter effect
Front Fighter	-0,2	-1,9	-1,9
Front Champion	2,1	2,8	2,8
Front Century	2,1	2,8	2,8
Golden Victory	0,9	3,0	3,0
Front Scilla	0,0	2,2	2,3
Front Force, *)	0,0	0,3	2,6
Front Energy, *)	0,0	0,3	2,6
1st Containership		1,1	2,5
total	4,9	10,7	16,9

**17% growth in
revenue base in 2005
(excl. the 2nd
container vessel)**

*) Approximate figures since the tc rate will be fixed the date the vessels are sold to Ship Finance

Profit & Loss

INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	2005 Jan-Mar	2004 Jan-Mar	2004 Jan-Dec
Total operating revenues	82,859	126,266	492,069
Voyage expenses	835	8,173	9,978
Ship operating expenses	24,980	24,639	96,505
Administrative expenses	868	486	3,812
Depreciation	4,659	13,271	34,617
Total operating expenses	31,342	46,569	144,912
Operating income (loss)	51,517	79,697	347,157
Interest income	718	1,475	2,567
Interest expense	(34,303)	(25,440)	(95,933)
Other financial items	12,002	(11,753)	8,780
Foreign currency exchange gain (loss)	31	137	88
Net income (loss)	29,965	44,116	262,659
Basic earnings per share amounts (\$)	\$0.40	\$0.60	\$3.52

Not accounted for profit sharing in Q1 2005 and Q1 2004 in the amount of approx. USD 33.5 million and USD 20 million, respectively.

Analysis of Income statement and Cashflow in US GAAP lease accounting

(in \$ million)	2005 Jan-Mar	2004 Jan-Mar	2004 Jan-Dec
Total operating revenues excl. profit split	83	126	377
Profit split	0	0	115
Voyage expenses	1	8	10
Ship operating expenses	25	25	97
Administrative expenses	1	0	4
Operating income (loss) before depreciation	56	93	382
Depreciation	5	13	35
Total operating expenses	31	47	145
Operating income (loss)	52	80	347
Interest income	1	1	3
Interest expense	-34	-25	-96
Other financial items	0	-12	9
Foreign currency exchange gain (loss)	12	0	0
Net income (loss)	30	44	263
Deemed dividends	-7	-38	-59
Adjusted net income (loss)	23	6	204
<u>Cash flow</u>			
Net cash provided by operating activities	201	82	179
Repayment of investments in finance leases	23	11	62
Deemed dividends	-7	-38	-59
Adjusted net cash provided by operating activities	217	55	182

Balance sheet

BALANCE SHEET <i>(in thousands of \$)</i>	2005 Jan-Mar	2004 Jan-Mar <i>(restated)</i>	2004 Dec 31
ASSETS			
<i>Short term</i>			
Cash, restricted cash and cash equivalents	115,698	138,777	34,572
Amount due from parent	-	-	4,864
Other current assets	104,790	78,058	192,421
<i>Long term</i>			
Newbuildings and vessel purchase options	8,370	-	8,370
Vessels and equipment, net	232,117	526,994	236,305
Investment in finance leases	1,824,560	1,433,727	1,641,644
Deferred charges and other long-term assets	37,906	29,319	34,761
Total assets	2,323,441	2,206,875	2,152,937
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term interest bearing debt	104,188	88,842	91,308
Amount due to parent	31,848	83,539	-
Other current liabilities	24,082	20,245	8,958
<i>Long term</i>			
Long term interest bearing debt	1,513,025	1,468,858	1,387,586
Other long term liabilities	2,658	16,092	4,103
Stockholders' equity	647,640	529,299	660,982
Total liabilities and stockholders' equity	2,323,441	2,206,875	2,152,937

Breakeven rates (USD / day)

	Base Charter Rate	Cash Breakeven
VLCC	25 575	17 067
Suezmax	21 100	16 104
Suezmax OBO	21 100	18 667

Front Century / Front Champion base rate 31,300-31,500 p.d.

Golden Victory base rate 33,800 p.d.

Appendixes

Sales type lease accounting

- Ship Finance is accounting for 42 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

New charters

- Purchase of Front Champion and Front Century in January 2005 for USD 196 million en bloc and Golden Victory in March 2005 for USD 98 million. Front Champion, Front Century and Golden Victory will be chartered back to FRO for 200, 204 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 \$31,501 per day declining to \$28,625 per day in 2018 (360 day basis) and \$31,340 per day declining to \$28,464 per day in 2018 (360 day basis), respectively. 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. The new time charter rate for Golden Victory will be \$33,793 per day (360 days basis).