

# Ship Finance International Limited 2Q 2015 Results

August 26, 2015

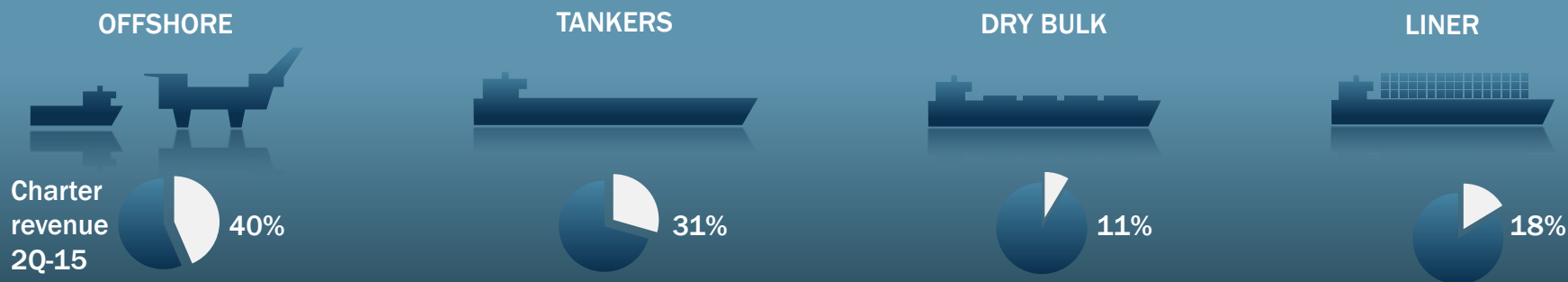
## **FORWARD LOOKING STATEMENTS**

This presentation 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 world wide 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, dry-docking 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.

# 2Q 2015 highlights

- **Increased quarterly dividend of \$0.44 per share**
  - » 11.8% dividend yield<sup>(1)</sup>
- **Net income of \$68m (\$0.73/share) for the quarter**
  - » Aggregate charter revenue of \$148m (\$1.58/share)<sup>(2)</sup>
  - » EBITDA<sup>(3)</sup> of \$125m (\$1.34/share)
- **Significant cash flows from profit share agreements**
  - » \$11m cash sweep and profit share in the quarter
  - » Potential for higher profit share contribution from new Frontline agreement



1) Quarterly cash dividend, annualized / SFL share price \$14.90 as of 25 August, 2015

2) Charter revenues includes total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates' and accrued cash sweep income/profit share.

3) EBITDA is a non-GAAP measure and includes assets in 100% owned subsidiaries classified as 'Investment in associates'. For more details please see 2Q-15 press release Appendix 1: Reconciliation of Net Income to EBITDA.

## Recent events

- **Acquisition of 8 x Capesize dry bulk carriers**
  - » 10 year time-charters to Golden Ocean Group Limited
  - » 7 vessels delivered in July/August
  - » Adding nearly \$500m charter backlog
  
- **Acquisition of 3 x 9,300-9,500 TEU container vessels**
  - » 5+2 year time-charters to leading European container line
  - » To be delivered between 4Q 2015 and 2Q 2016
  - » 15% deposit paid in June and long-term financing to be arranged before delivery
  - » Adding more than \$200m charter backlog
  
- **New agreement with Frontline from July 1, 2015**
  - » New base rates of \$20,000/day for VLCCs and \$15,000/day for Suezmaxes
  - » New opex of \$9,000/day per vessel
  - » 50% profit share from new base rates, calculated and paid quarterly
  - » Received 55m Frontline shares, representing approx. 28% of the company

## Recent events, continued

- **Sale of notes and warrants in Horizon Lines**
  - » Received in 2012 as compensation for charter termination
  - » \$72m cash proceeds in 2Q 2015
  - » Book gain of \$45m
  
- **Merger between Frontline Ltd. and Frontline 2012 Ltd.**
  - » Frontline Ltd will be surviving legal entity
  - » SFL will own approximately 7% of the combined company
  - » Standstill and voting agreement until merger completed
  - » Full flexibility with shares and notes thereafter
  
- **Sale of older Suezmax crude-oil tanker**
  - » Front Glory, built in 1995
  - » Approximately \$13.8m net cash proceeds
  - » Delivery to new owner in September 2015



# 8 x Capesize bulkers to Golden Ocean

## Transaction

- » \$272m aggregate purchase price and \$166m bank financing
- » Vessels built 2009-2013
- » Full cash-flow effect from 4Q 2015

## Charter and Counterparty

- » GOGL listed on Nasdaq and OSE
- » 10 year time-charters
- » More than \$30m EBITDA contribution per year (before profit split)
- » 33% profit share above base rates



**Capesize earnings 2001-2015<sup>(1)</sup>**



1) Source: Clarksons Platou

# 3 x 9,300-9,500 TEU container vessels

## Transaction

- » Delivery from shipyard between 4Q 2015 and 2Q 2016
- » \$246m remaining capex, expected to be financed mainly by bank debt
- » More than \$200m fixed rate charter backlog, excluding options
- » Annual EBITDA contribution of approx. \$32m

## Charter and Counterparty

- » European liner company with investment grade rating
- » 5 year fixed time-charters
- » 2 x 1 year extension options

## Asset summary

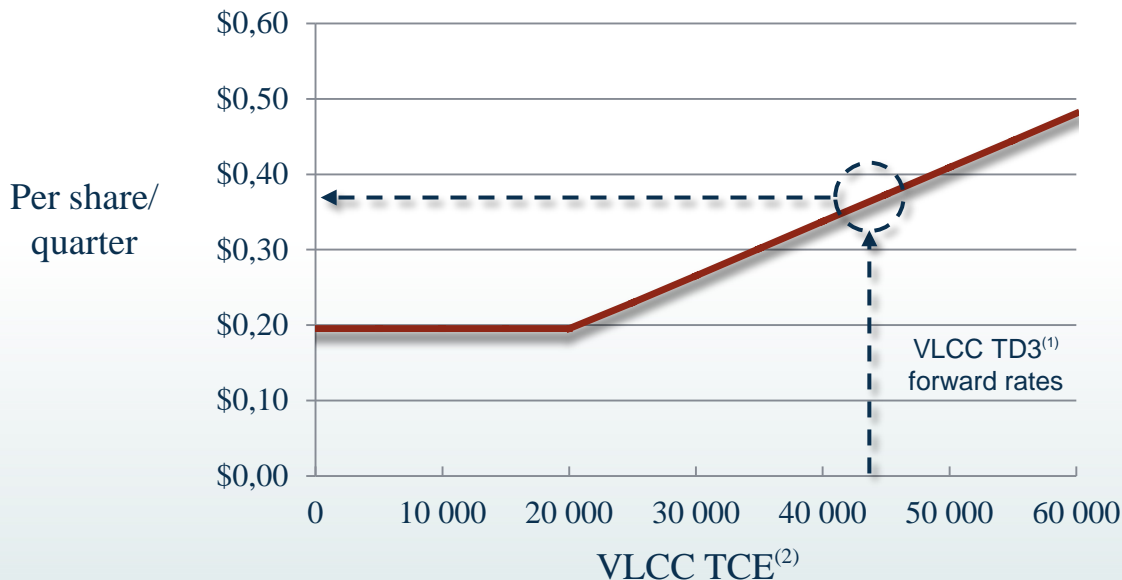
Assets	TEU	Est. Delivery	Time Charter
[TBN] Sarat	9,500	4Q 2015	5 years + 2 year options
[TBN] Skarstind	9,500	1Q 2016	5 years + 2 year options
[TBN] Shivling	9,300	2Q 2016	5 years + 2 year options



## New Chartering Terms

- » Base rates: VLCC: \$20,000/day + Suezmax: \$15,000/day
- » Opex: \$9,000 per day per vessel
- » Cash buffer in chartering company
- » 50% profit share above base rates – no limits

## Illustration: Net cash contribution from FRO vessels and notes<sup>(3)</sup> in 2016



1) Source: Marex Spectron, 25 Aug 2015

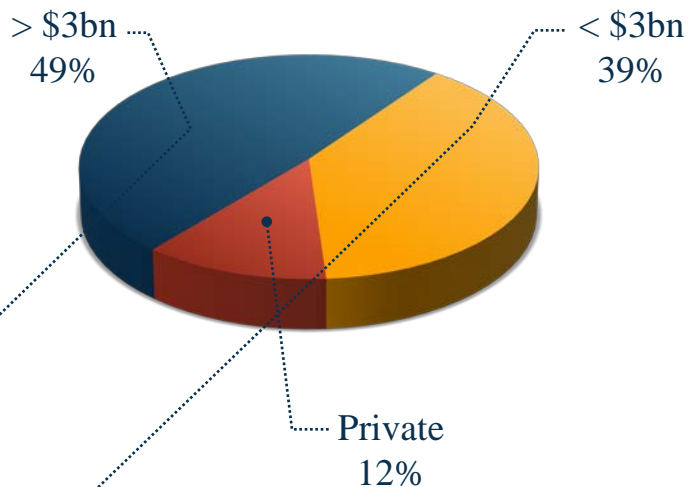
2) Profit split will be based on actual performance of vessels - Ratio between VLCC and Suezmax = 1.4x for illustration purposes

3) Including cashflow from amortizing notes (\$116m outstanding amount as of June 30, 2015)

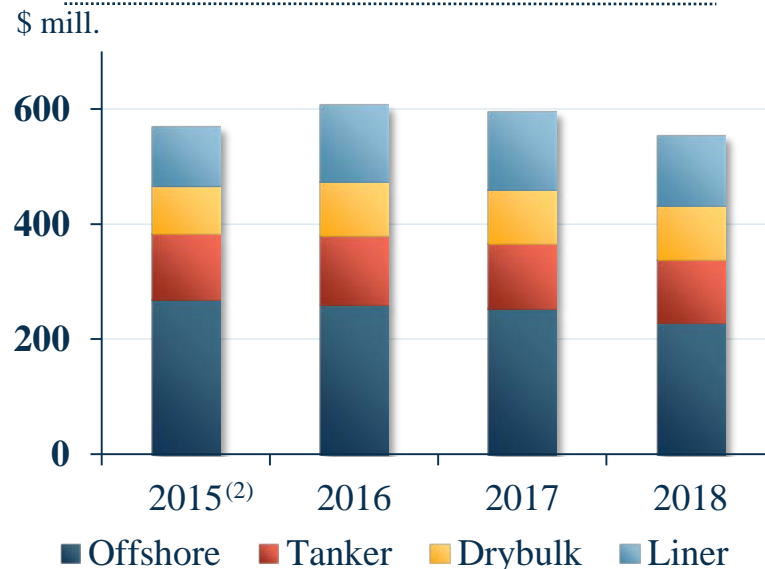


# \$4.2 billion charter backlog<sup>(1)</sup>

**Charterers by Mkt. Cap**



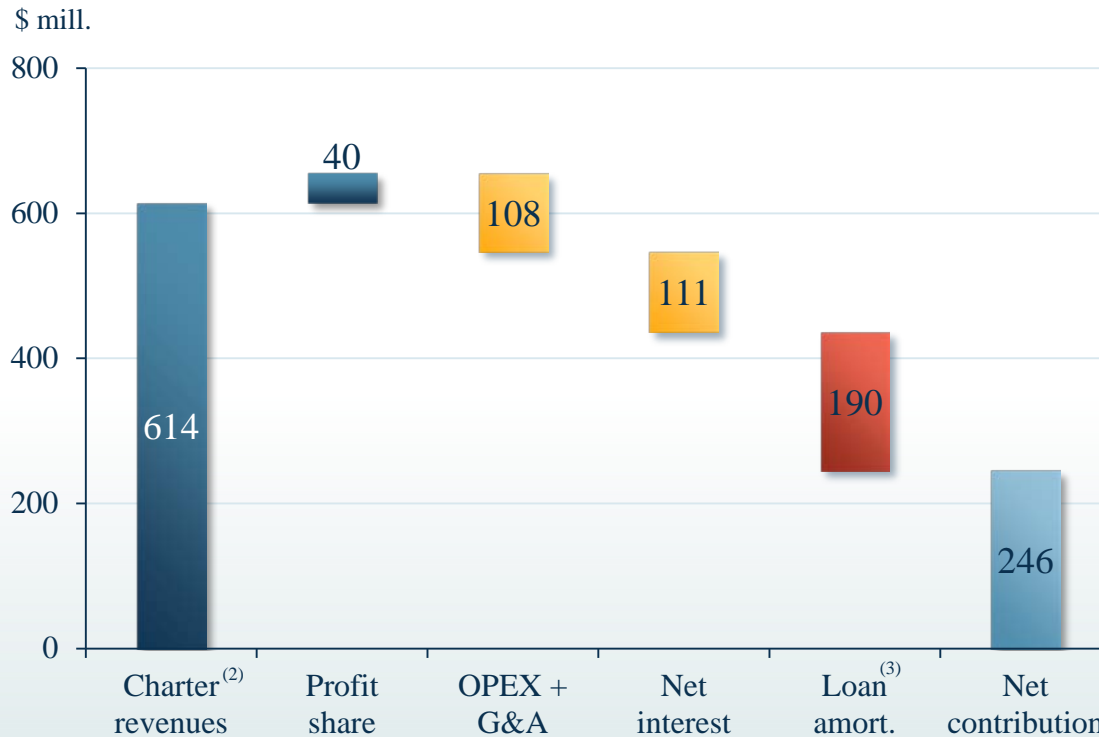
**Fixed revenues per segment**



1) Fixed charter backlog as of June 30, 2015, excluding future cash sweep/profit share, subsequent sales and purchase options declared, net of any seller's credit and assuming certain call options are not exercised  
 2) 2015-2018 estimated revenues as per charter backlog as of June 30, 2015. Excluding any future profit sharing or re-chartering after end of current charter.

# Contribution from projects last 12 months<sup>(1)</sup>

- **Large performing fleet generating significant cash flows**
  - » \$547m EBITDA-equivalent last twelve months
  - » \$246m net cash flow from projects after interest and debt amortization<sup>(3)</sup>



1) Not as accounted per US GAAP – used as an internal guideline to assess the Company's core business.

2) Fixed charter revenues and return on financial investments

3) Ordinary installments relating to the Company's projects. Excluding amortization on loans relating to vessels on charter to Frontline due to low leverage and excluding prepayments when vessels are sold.

# SFL operational performance

- **Pro-forma illustration of cash flow <sup>(1)</sup>**
  - » Not as accounted for under US GAAP
  - » Used as an internal guideline to assess the Company's performance
  - » Excluding extraordinary and non-cash items and profit share

	2Q 2015		1Q 2015	
	\$ mill.	\$/share	\$ mill.	\$/share
<b>Charter hire</b>				
VLCC	20.7	0.22	20.7	0.22
Suezmax <sup>(2)</sup>	12.0	0.13	11.1	0.12
Chemical Tankers	1.5	0.02	1.5	0.02
Liner (Container and Car Carriers)	26.0	0.28	24.4	0.26
Drybulk	15.4	0.16	16.6	0.18
Offshore	58.0	0.62	64.8	0.69
<b>Sum charter hire, excluding profit share</b>	<b>133.6</b>	<b>1.43</b>	<b>139.1</b>	<b>1.49</b>
<b>Vessel operation expenses<sup>(2)</sup> and G&amp;A</b>	<b>(25.9)</b>	<b>(0.28)</b>	<b>(26.5)</b>	<b>(0.28)</b>
<b>Profit share and cash sweep</b>	<b>10.9</b>	<b>0.12</b>	<b>10.1</b>	<b>0.11</b>
<b>Financial investments</b>	<b>6.4</b>	<b>0.05</b>	<b>4.5</b>	<b>0.05</b>
<b>EBITDA including profit share and cash sweep</b>	<b>124.9</b>	<b>1.34</b>	<b>127.2</b>	<b>1.36</b>

1) Including cash flow in subsidiaries accounted for as 'investment in associate'

2) In this table, revenues and vessel operating expenses for Suezmaxes trading in the spot market are net of voyage expenses

# Profit & loss

<b>INCOME STATEMENT</b> <i>(in thousands of \$ except per share data)</i>	<b>Three months ended</b>		<b>Full year</b>
	<b>Jun 30, 2015</b>	<b>Mar 31, 2015</b>	<b>2014 (audited)</b>
Charter revenues - operating lease	61 396	60 204	201 880
Charter revenues - finance lease	29 236	29 348	136 151
Revenues classified as Repayment of investment in finance leases	(9 479)	(9 600)	(44 300)
Profit share income	928	191	1 093
Cash sweep income	9 945	9 945	32 663
<b>Total operating revenues</b>	<b>92 026</b>	<b>90 088</b>	<b>327 487</b>
<b>Gain on sale of assets and termination of charters</b>	<b>-</b>	<b>(114)</b>	<b>23 931</b>
Vessel operating expenses	(26 011)	(27 460)	(119 470)
Administrative expenses	(2 311)	(1 835)	(7 609)
Depreciation	(17 822)	(18 479)	(67 393)
Vessel impairment charge	(29 161)	-	(11 800)
<b>Total operating expenses</b>	<b>(75 305)</b>	<b>(47 774)</b>	<b>(206 272)</b>
<b>Operating income</b>	<b>16 721</b>	<b>42 200</b>	<b>145 146</b>
Results in associate	9 220	7 878	33 497
Interest income from associates and long term investments	4 668	4 668	24 857
Interest income, other	6 427	4 540	15 594
Interest expense	(14 473)	(15 176)	(74 810)
Amortization of deferred charges	(3 185)	(2 852)	(11 271)
Gain on sale of associate	-	-	6 055
Other financial items	44 486	(52)	(1 358)
Income (expense) related to non-designated derivatives	4 079	(8 096)	(14 895)
Taxes	-	-	-
<b>Net income</b>	<b>67 943</b>	<b>33 110</b>	<b>122 815</b>
<b>Basic earnings per share (\$)</b>	<b>0,73</b>	<b>0,35</b>	<b>1,32</b>
Weighted average number of shares	93 450 143	93 412 667	93 330 622
Common shares outstanding	93 468 000	93 443 000	93 404 000

Full cash sweep from Frontline in 1Q and 2Q, paid in 3Q 2015.

Impairment on two 1,700 TEU container vessels

Includes \$1.3m relating to our 28% ownership in Frontline

Includes \$44.6m gain on sale of notes and warrants in Horizon Lines

# Balance sheet

<b>BALANCE SHEET</b>			
<i>(in thousands of \$)</i>	<b>Jun 30, 2015</b>	<b>Mar 31, 2015</b>	<b>Dec 31, 2014 <i>(audited)</i></b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	61 571	49 730	50 818
Available for sale securities	48 416	69 116	73 656
Amount due from related parties	62 667	62 044	152 491
Other current assets	63 020	67 778	63 260
<i>Long term</i>			
Newbuildings and vessel deposits	43 425	-	87 567
Vessels and equipment, net	1 314 039	1 361 138	1 377 133
Investment in finance leases	541 373	690 630	709 014
Investment in associate	220 196	60 000	53 457
Amount due from related parties - Long term	379 589	433 898	425 325
Deferred charges	33 847	34 438	36 958
Other long-term assets	14 862	12 708	11 875
<b>Total assets</b>	<b>2 783 005</b>	<b>2 841 480</b>	<b>3 041 554</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term and current portion of long term interest bearing debt	202 896	212 361	182 415
Other current liabilities	20 586	21 106	30 231
Amount due to related parties	484	1 642	1 109
<i>Long term</i>			
Long term interest bearing debt	1 258 816	1 330 682	1 550 044
Other long term liabilities	100 793	117 088	124 263
Stockholders' equity	1 199 430	1 158 601	1 153 492
<b>Total liabilities and stockholders' equity</b>	<b>2 783 005</b>	<b>2 841 480</b>	<b>3 041 554</b>

Excludes \$329m available under revolving credit facilities

Frontline leases adjusted following amendments to agreement effective from 3Q 2015

Includes 55m shares in Frontline

Frontline notes included under "Amount due from related parties"

Book equity ratio of 43%.



- **Strong liquidity position**

- » \$390m in total available liquidity at quarter end
  - \$62m cash and cash equivalents
  - \$329m available under revolving credit facilities
- » \$164m in notes available for sale
  - Including \$116m in 7.25% amortizing Frontline notes<sup>(1)</sup>

- **Capex**

- » 8 x Capesize dry bulk carriers to Golden Ocean
  - Total acquisition cost \$272m
  - Seven vessels delivered July and August 2015
  - \$166m long-term bank financing
- » 3 x 9,300-9,500 TEU container newbuildings
  - Expected delivery in 4Q 2015, 1Q 2016 and 2Q 2016
  - \$246m total remaining capex, payable upon delivery
  - Expected bank financing of \$200-210m



1) Face value as of June 30, 2015

- **Increased quarterly dividend of \$0.44 per share**
  - » 11.8% dividend yield<sup>(1)</sup>
- **Reported net income of \$68m or \$0.73 per share**
  - » EBITDA<sup>(2)</sup> of \$125m (\$1.34/share)
- **Delivery of seven Capesize dry bulk carriers on long term charters to Golden Ocean**
- **Acquisition of three 9,300-9,500 TEU container vessels with long term charters**
- **Upside potential in the new Frontline profit share agreement**
- **Significant investment capacity**



1) Quarterly cash dividend (annualized) / SFL share price of \$14.90 (August 25, 2015)

2) EBITDA is a non-GAAP measure and includes assets in 100% owned subsidiaries classified as 'Investment in associates'. For more details please see 2Q-15 press release Appendix 1: Reconciliation of Net Income to EBITDA.