

# Ship Finance International Limited 3Q 2015 Results

November 24, 2015

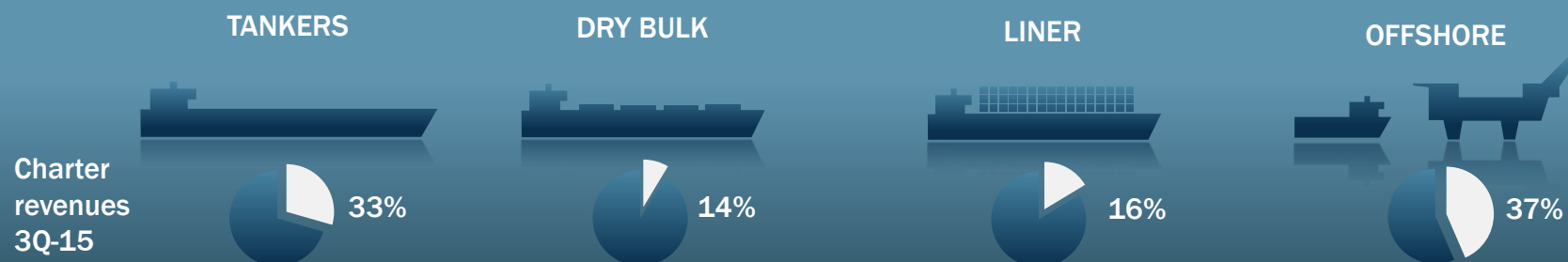
## **FORWARD LOOKING STATEMENTS**

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.

# 3Q 2015 highlights

- **Increased quarterly dividend of \$0.45 per share**
  - » 10.7% dividend yield<sup>(1)</sup>
- **Net income of \$45m (\$0.49/share) for the quarter**
  - » \$57m or 0.61 per share adjusted net income after one-off and non-cash items
  - » Aggregate charter revenue of \$167m (\$1.78/share)<sup>(2)</sup>
  - » EBITDA<sup>(3)</sup> of \$136m (\$1.45/share)
- **Significant cash flows from profit share agreements**
  - » \$17.6m profit share in the third quarter
  - » Continued strong tanker market into the fourth quarter



1) Quarterly cash dividend, annualized / SFL share price \$16.85 as of 23 November, 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 3Q-15 press release Appendix 1: Reconciliation of Net Income to EBITDA.

# Recent events

- **Delivery of 8 x Capesize dry bulk carriers**
  - » 10 year time charters to Golden Ocean Group Limited
  - » All vessels delivered in 3Q 2015 – full cash flow effect from 4Q 2015
  - » \$500m charter backlog + plus profit split potential when market recovers
- **3 x 9,300-9,500 TEU container vessels on track for delivery**
  - » 5+2 year time charters to Maersk Line
  - » First vessel due for delivery in November, remaining vessels in 1Q 2016 and 2Q 2016
  - » \$36m remaining capex at quarter-end, net of long term financing
  - » Adding more than \$200m charter backlog
- **Agreement to acquire additional large container vessels**
  - » Combined with long term charters to large container line
  - » Delivery late 2016 and early 2017
  - » \$45m net capex, net of long term financing



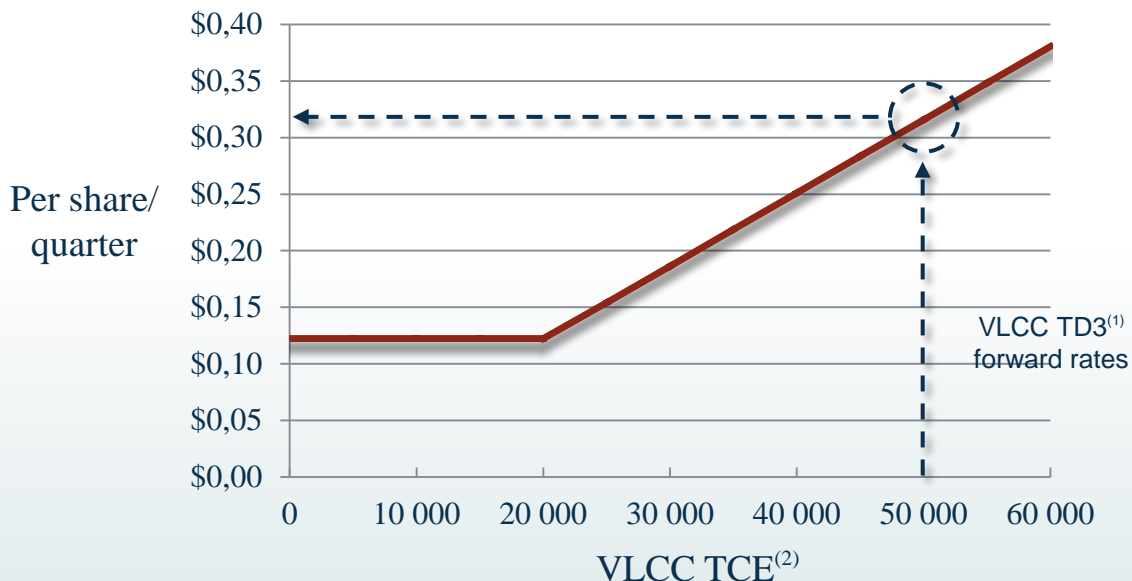
## Recent events, continued

- **Significant cash-flows from new agreement with Frontline**
  - » 50% profit share above new base rates, calculated and paid quarterly
  - » \$16.6m profit split in the third quarter, and continued strong market into the fourth quarter
- **Merger between Frontline Ltd. and Frontline 2012 Ltd.**
  - » Expected to be completed on November 30 2015
  - » Frontline Ltd will be surviving legal entity
  - » SFL will own approximately 7% of the combined company
- **Sale of three older Suezmax crude-oil tanker**
  - » Front Glory (built 1995): ~\$13.8m net cash proceeds in 3Q 2015
  - » Front Splendour (built 1995): ~\$13.0m net cash proceeds in 4Q 2015
  - » Mindanao (built 1998): ~\$17.9m net cash proceeds in 4Q 2015
  - » Sales prices reflect current strong tanker market

## 14 vessels remaining after recent sales

- » 12 x VLCCs: \$20,000/day base rate
- » 2 x Suezmaxes: \$15,000/day base rate
- » Opex: \$9,000/day per vessel
- » 50% profit share above base rates – no limits

## Illustration: Net cashflow<sup>(3)</sup> from vessels including profit split in 2016



1) Source: Marex Spectron, 20 Nov 2015

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

3) Charter hire plus profit split, less operating expenses, loan interest and loan amortization

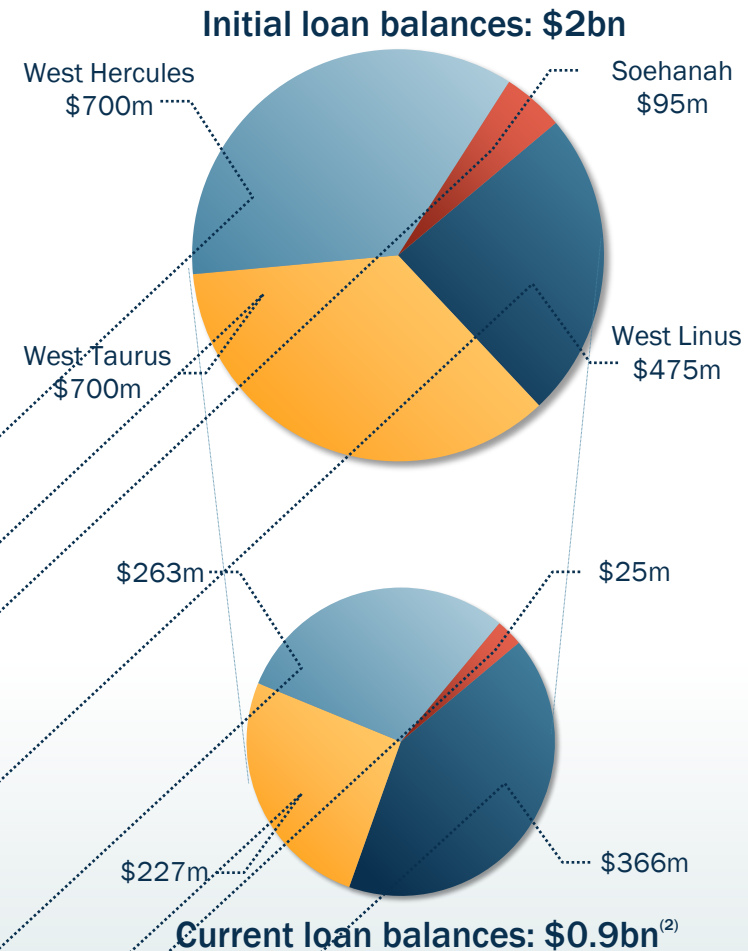
# Rig assets and counterparties

## • Seadrill

- » West Hercules (2008)
  - Ultra-deepwater drilling rig - charter expiry 4Q 2023
  - Purchase price: \$850m, book value \$403m<sup>(1)</sup>
- » West Taurus (2008)
  - Ultra-deepwater drilling rig - charter expiry 4Q 2023
  - Purchase price: \$850m, book value \$401m<sup>(1)</sup>
- » West Linus (2014)
  - Harsh-environment jackup drilling rig - charter expiry 2Q 2029
  - Purchase price: \$600m, book value \$542m<sup>(1)</sup>
- » All charters are fully guaranteed by Seadrill Ltd.
  - Listed on NYSE/OSE

## • Apexindo

- » Soehanah (2007)
  - Jack-up drilling rig - charter expiry 1Q 2018
  - Purchase price: \$152m, book value \$98m<sup>(1)</sup>
- » Charter guaranteed by PT Apexindo Pratama Duta Tbk.
  - Listed on Jakarta Stock Exchange

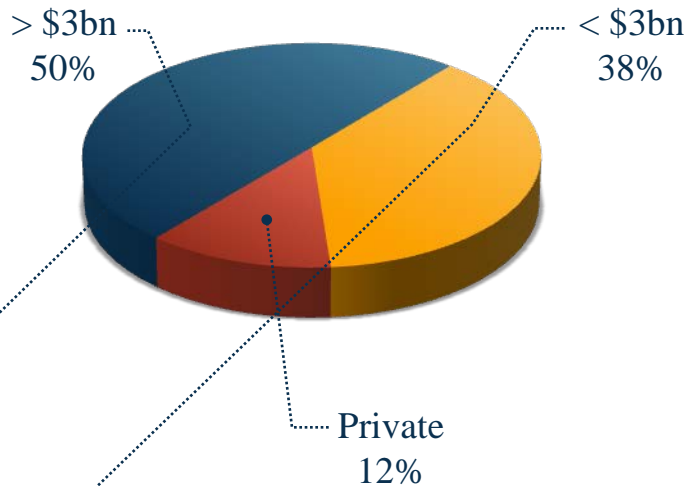


1) Book values as of September 30, 2015

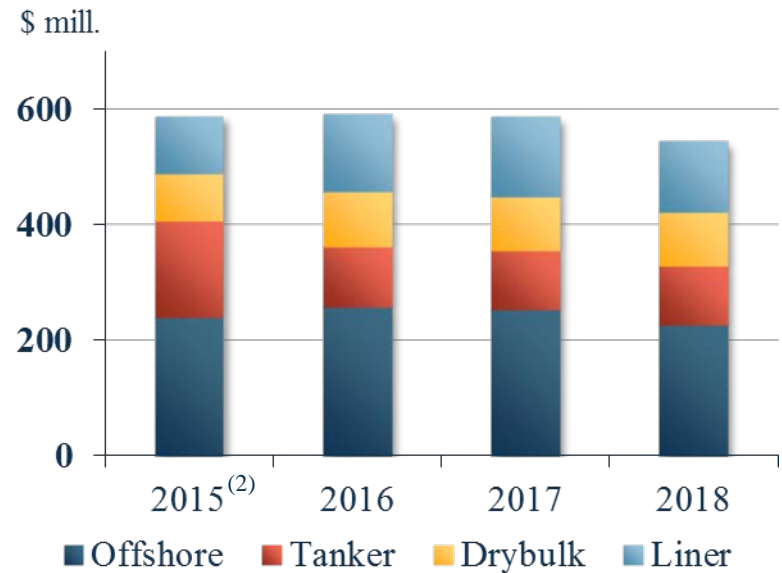
2) Outstanding loan balance as per September 30, 2015. Excluding \$175 million availability on loan agreements relating to the rigs

# \$4.0 billion charter backlog<sup>(1)</sup>

Charterers by Mkt. Cap



Fixed revenues per segment

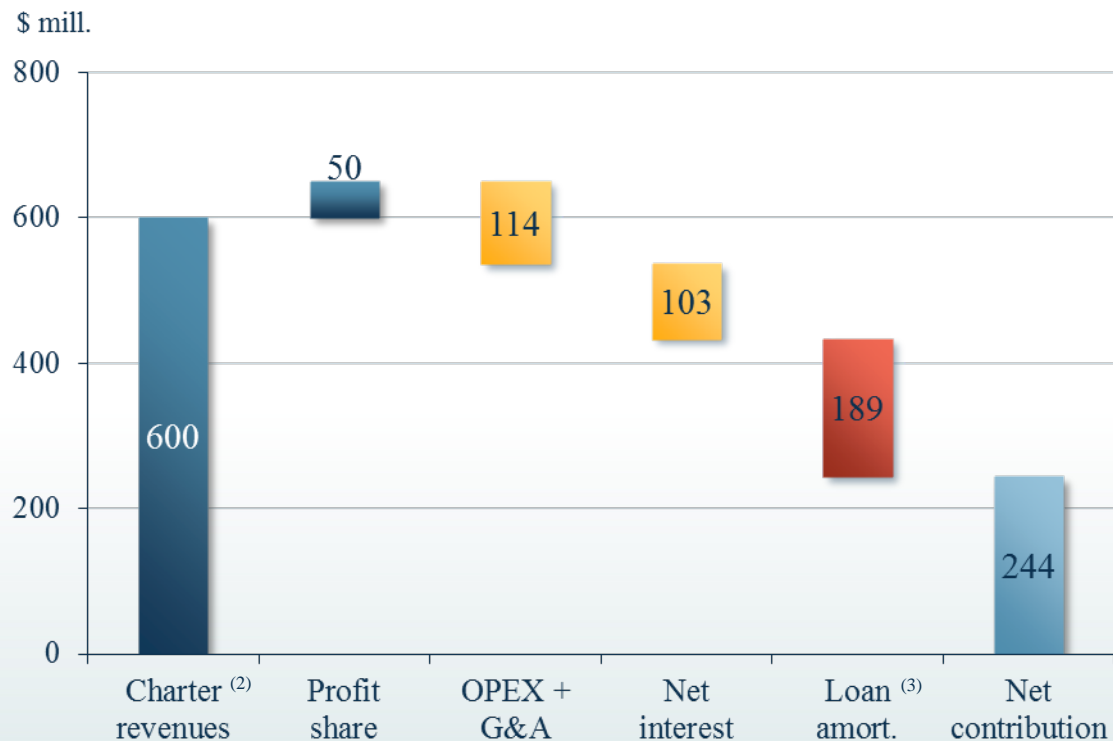


1) Fixed charter backlog as of Sept 30, 2015, excluding future cash sweep/profit share, subsequent sales and purchase options declared, net of any seller's credit and assuming certain call options are not exercised  
 2) 2015-2018 estimated revenues as per charter backlog as of Sept 30, 2015. Excluding 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**
  - » \$536m EBITDA-equivalent last twelve months
  - » \$244m 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

	3Q 2015		2Q 2015	
	\$ mill.	\$/share	\$ mill.	\$/share
<b>Charter hire</b>				
VLCC	21.6	0.23	20.7	0.22
Suezmax <sup>(2)</sup>	14.3	0.15	12.0	0.13
Chemical Tankers	1.5	0.02	1.5	0.02
Liner (Container and Car Carriers)	25.9	0.27	26.1	0.28
Drybulk	23.4	0.25	15.4	0.16
Offshore	58.9	0.63	58.0	0.62
<b>Sum charter hire, excluding profit share</b>	<b>145.5</b>	<b>1.56</b>	<b>133.6</b>	<b>1.43</b>
<b>Vessel operation expenses<sup>(2)</sup> and G&amp;A</b>	<b>(32.8)</b>	<b>(0.35)</b>	<b>(25.9)</b>	<b>(0.28)</b>
<b>Profit share and cash sweep</b>	<b>17.6</b>	<b>0.19</b>	<b>10.9</b>	<b>0.12</b>
<b>Financial investments</b>	<b>5.2</b>	<b>0.06</b>	<b>6.4</b>	<b>0.07</b>
<b>EBITDA including profit share and cash sweep</b>	<b>135.5</b>	<b>1.45</b>	<b>124.9</b>	<b>1.34</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

# Income Statement

	Three months ended		Full year 2014
	Sep 30, 2015	Jun 30, 2015	
<i>(in thousands of \$ except per share data)</i>			
Charter revenues - operating lease <sup>(1)</sup>	\$71 541	\$61 396	\$201 880
Charter revenues - finance lease	30 660	29 236	136 151
Revenues classified as Repayment of investment in finance leases	(9 123)	(9 479)	(44 300)
Profit share income <sup>(2)</sup>	17 634	928	1 093
Cash sweep income	-	9 945	32 663
<b>Total operating revenues</b>	<b>\$110 712</b>	<b>\$92 026</b>	<b>\$327 487</b>
<b>Gain on sale of assets and termination of charters<sup>(3)</sup></b>	<b>\$3 378</b>	<b>-</b>	<b>\$23 931</b>
Vessel operating expenses <sup>(4)</sup>	(\$34 215)	(\$26 011)	(\$119 470)
Administrative expenses	(1 434)	(2 311)	(7 609)
Depreciation	(19 855)	(17 822)	(67 393)
Vessel impairment charge	-	(29 161)	(11 800)
<b>Total operating expenses</b>	<b>(\$55 504)</b>	<b>(\$75 305)</b>	<b>(\$206 272)</b>
<b>Operating income</b>	<b>\$58 586</b>	<b>\$16 721</b>	<b>\$145 146</b>
Results in associate	\$8 592	\$9 220	\$33 497
Interest income from associates and long term investments	4 668	4 668	24 857
Interest income, other	5 187	6 427	15 594
Interest expense	(14 526)	(14 473)	(74 810)
Amortization of deferred charges	(2 784)	(3 185)	(11 271)
Gain on sale of associate	-	-	6 055
Other financial items	(299)	44 486	(1 358)
Income (expense) related to non-designated derivatives <sup>(5)</sup>	(13 938)	4 079	(14 895)
Taxes	-	-	-
<b>Net income</b>	<b>\$45 486</b>	<b>\$67 943</b>	<b>\$122 815</b>

<b>Basic earnings per share (\$)</b>	<b>0,49</b>	<b>0,73</b>	<b>1,32</b>
Weighted average number of shares	93 468 000	93 450 143	93 330 622
Common shares outstanding	93 468 000	93 468 000	93 404 000

(1) Delivery of 8 dry bulk carriers in 3Q, full effect in 4Q 2015

(2) \$16,6m from new 50% profit share with Frontline, paid in 4Q 2015

(3) Gain on sale of Suezmax tanker Front Glory

(4) Delivery of 8 dry bulk carriers in 3Q and increased opex on Frontline vessels

(5) Includes \$12.4m non-cash negative mark-to-market of derivatives

# Balance sheet

(in thousands of \$)

	Sep 30, 2015	Jun 30, 2015	Dec 31, 2014
<b>ASSETS</b>			
Short term			
Cash and cash equivalents <sup>(1)</sup>	\$60 283	\$61 571	\$50 818
Available for sale securities	40 497	48 416	73 656
Amount due from related parties <sup>(2)</sup>	72 235	62 667	152 491
Other current assets	65 521	63 020	63 260
Long term			
Newbuildings and vessel deposits	\$43 445	\$43 425	\$87 567
Vessels and equipment, net	1 566 243	1 314 039	1 377 133
Investment in finance leases	522 254	541 373	709 014
Investment in associate <sup>(3)</sup>	225 228	220 196	53 457
Amount due from related parties - Long term <sup>(2)</sup>	470 979	379 589	425 325
Deferred charges	32 941	33 847	36 958
Other long-term assets	10 936	14 862	11 875
<b>Total assets</b>	<b>\$3 110 562</b>	<b>\$2 783 005</b>	<b>\$3 041 554</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Short term			
Short term and current portion of long term interest bearing debt	\$213 936	\$202 896	\$182 415
Other current liabilities	19 328	20 586	30 231
Amount due to related parties	256	484	1 109
Long term			
Long term interest bearing debt	\$1 561 830	\$1 258 816	\$1 550 044
Other long term liabilities	130 161	100 793	124 263
Stockholders' equity <sup>(4)</sup>	\$1 185 051	\$1 199 430	\$1 153 492
<b>Total liabilities and stockholders' equity</b>	<b>\$3 110 562</b>	<b>\$2 783 005</b>	<b>\$3 041 554</b>

(1) Excludes \$229m available under revolving credit facilities

(2) Frontline notes included under "Amount due from related parties"

(3) Includes 55m shares in Frontline

(4) Book equity ratio of 38%.

- **Strong liquidity position**

- » \$289m in total available liquidity at quarter end
  - \$60m cash and cash equivalents
  - \$229m available under revolving credit facilities
- » \$155m in notes available for sale
  - Including \$114m in 7.25% amortizing Frontline notes<sup>(1)</sup>

- **Limited remaining capex**

- » 3 x 9,300-9,500 TEU newbuilding container vessels
  - Expected delivery in 4Q 2015, 1Q 2016 and 2Q 2016
  - \$246m total remaining capex, payable upon delivery
  - Bank financing of \$210m => Net remaining capex of \$36m
- » Additional newbuilding container vessels
  - Expected delivery in late 2016 and early 2017
  - Estimated net capex of \$45m after financing



1) Face value as of September 30, 2015

- **Increased quarterly dividend of \$0.45 per share**
  - » 10.7% dividend yield<sup>(1)</sup>
- **Net income of \$45m in 3Q 2015**
  - » \$57m adjusted net income after one-off and non-cash items
  - » \$136m EBITDA<sup>(2)</sup>
- **Upside potential in the new Frontline profit share agreement**
- **Delivery of eight Capesize dry bulk carriers on long term charters to Golden Ocean**
- **Acquisition of several container vessels with long term charters**
- **Significant investment capacity**



1) Quarterly cash dividend (annualized) / SFL share price of \$16.85 (November 23, 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 3Q-15 press release Appendix 1: Reconciliation of Net Income to EBITDA.