

Ship Finance International Limited 2Q 2016 Results

Aug 31, 2016

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 2016 Highlights

Quarterly dividend of \$0.45 per share

- 11.9% dividend yield⁽¹⁾

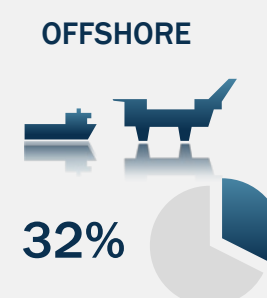
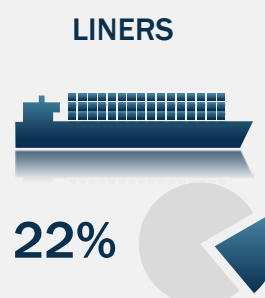
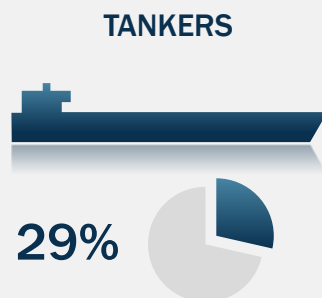
Net income of \$38.8m (\$0.42/share) for the quarter

- \$44.9m or \$0.48 per share adjusted net income after non-cash items
- Aggregate charter revenue of \$159m (\$1.71/share)⁽²⁾
- EBITDA⁽³⁾ of \$128m (\$1.37/share)

Fleet renewal supports continued distribution capacity

- Third newbuilding container vessel on charter to Maersk
- Sale and delivery of 18-year old crude oil tanker

Charter
revenues
2Q-16



1) Quarterly cash dividend, annualized / SFL share price \$15.16 as of Aug 30, 2016

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 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-16 press release Appendix 1: Reconciliation of Net Income to EBITDA.



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

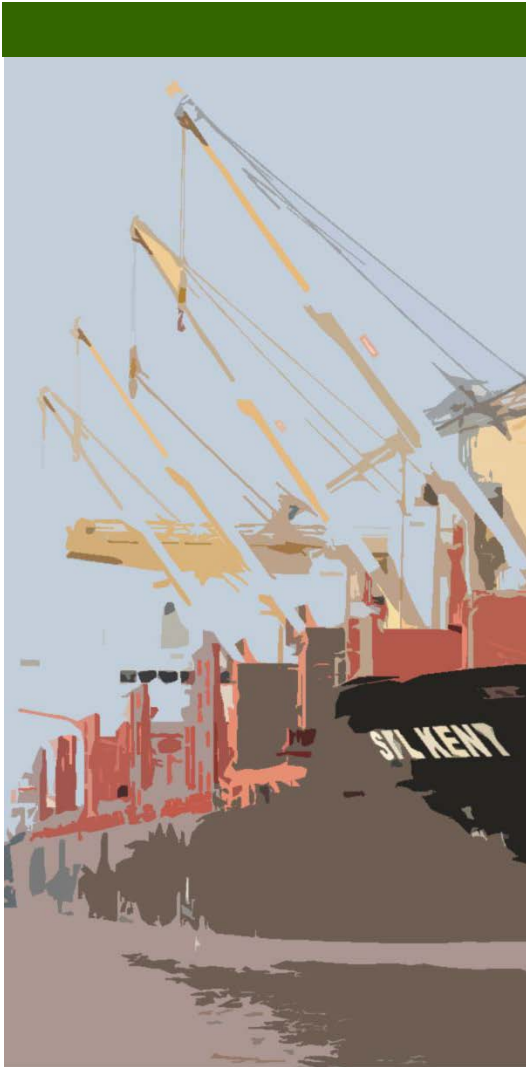
- 5+2 year time charters to Maersk Line
- Last vessel delivered in May 2016
- Total EBITDA contribution estimated to ~\$32m per year

2 x 19,200 TEU container vessels

- 15 year bareboat charters to MSC
- Delivery from Korean shipyard late 2016 and early 2017
- Total EBITDA contribution estimated to ~\$31m per year after delivery

2 x 114,000 dwt LR2 product tankers

- 7-12 year time charters to Phillips 66
- Delivery from Korean shipyard second half of 2017
- Total EBITDA contribution estimated to ~\$11m per year after delivery



Sale of older tanker vessel

- Front Vanguard, VLCC built in 1998
- Approximately \$24m net proceeds, including compensation from Frontline for the termination of the charter
- Delivered to new owners in July

Adjusted agreement with Deep Sea Supply

- 5 vessels on charter since 2007/2008
- Temporarily reduced charter rates until May 2018, in exchange for:
 - 3 year extension of charter = \$21m net increase in backlog
 - Optionality through new 50% profit share above base rates
 - Charter guarantee from stronger entity
- Net distributable cash flow remains unaffected

Crude Oil Tankers: Continued profit split potential

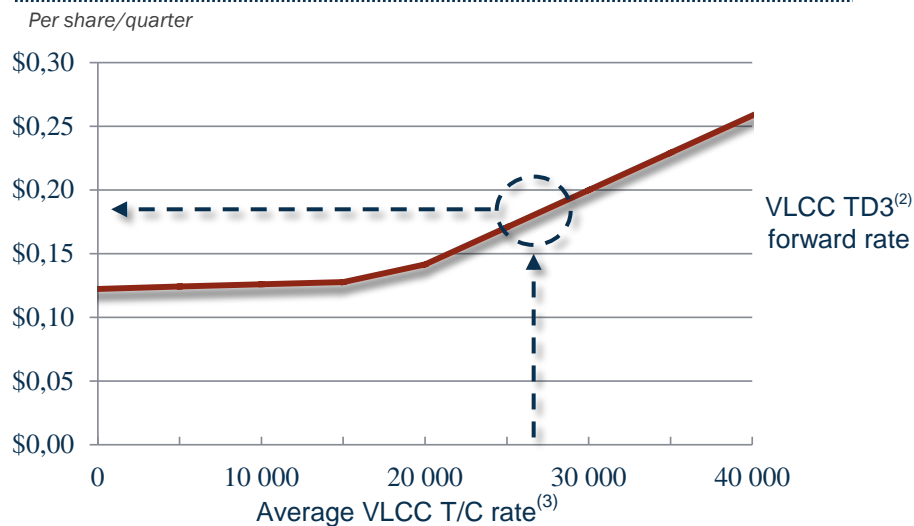
13 x vessels to Frontline

- 11 x VLCCs: \$20,000 base rate
- 2 x Suezmax: \$15,000 base rate
- 50% profit share above daily base rates, paid quarterly

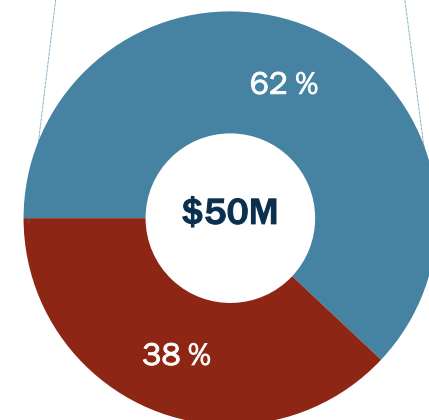
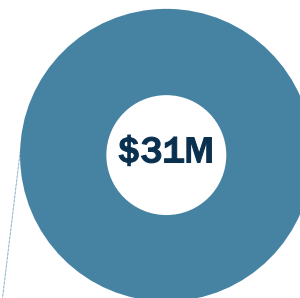
2 x Suezmax tankers

- 2009/2010 built vessels with eco upgrade
- Trading in pool with sister vessels owned by Frontline and significant charter coverage through 2017

Illustration: 4Q 2016 net cash flow from tankers⁽¹⁾



2Q 2016 Contracted Revenue (tankers)



■ Contracted ■ Profit Share/Spot

Actual Revenue (tankers)

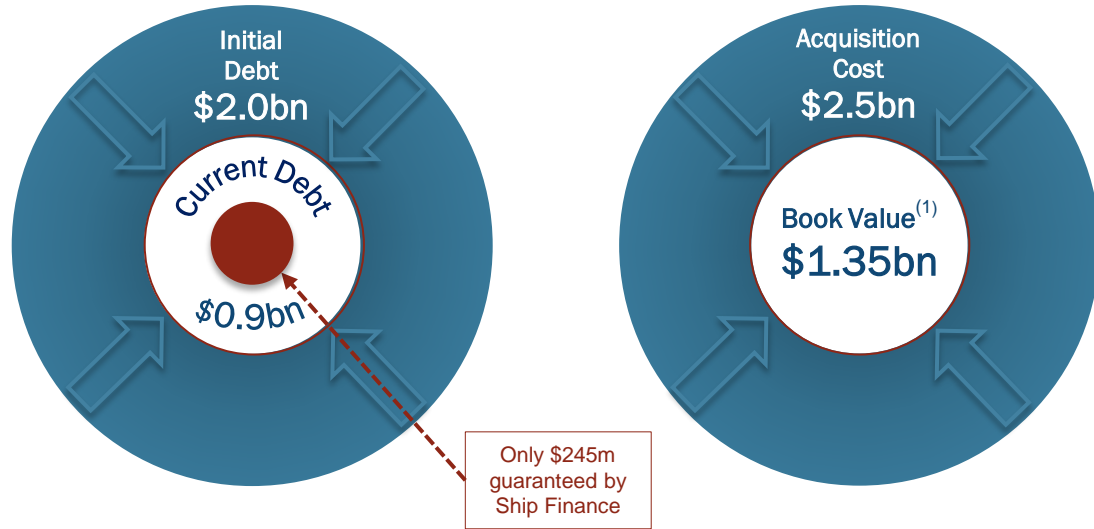
1) Charter hire plus profit split, less operating expenses, loan interest and loan amortization

2) Source: Marex Spectron, Aug 30, 2016

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

Drilling Assets Positioned for a Market Downturn

Rapid deleveraging and downside protection



\$1,400

Million of contracted revenue⁽²⁾

10 years

Average length of current charters⁽³⁾

West Taurus - 2008



6th gen. semi
BB to Seadrill⁽⁴⁾ - 2023

West Hercules - 2008



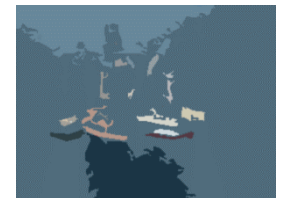
6th gen. semi
BB to Seadrill⁽⁴⁾ - 2023

West Linus - 2014



Heavy-duty jackup
BB to Seadrill⁽⁴⁾ - 2029

Soehanah - 2007

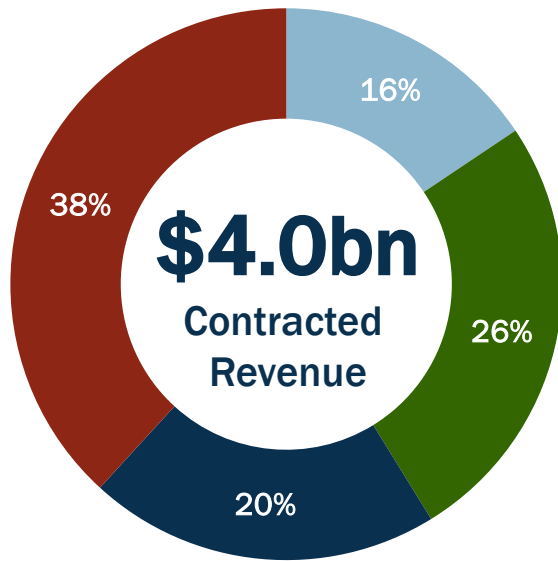


375ft jackup
Currently Idle

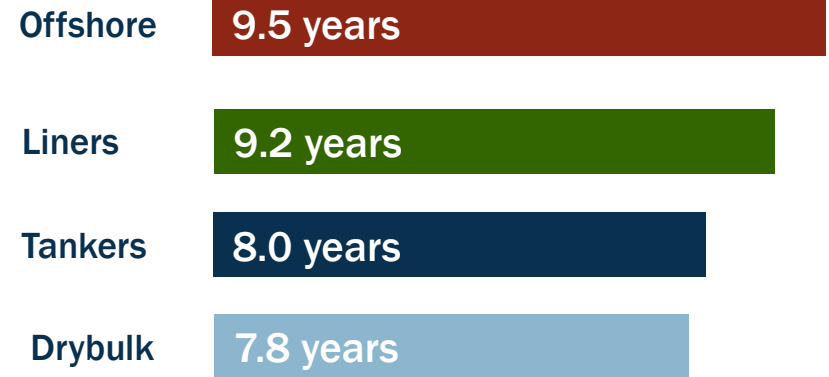
1) As of Jun 30, 2016
2) As of Jun 30, 2016, assuming certain call options are not exercised. Comprises of contracted revenues from Seadrill
3) As of Jun 30, 2016, weighted by aggregate charter hire. Comprises of contracted revenues from Seadrill
4) Charter fully guaranteed by Seadrill Limited

Significant Contracted Revenue

Contracted revenue across segments⁽¹⁾



Average remaining contract length⁽²⁾



~8.9 years weighted average⁽²⁾



1) Fixed charter backlog as of Jun 30, 2016, excluding future cash sweep/profit share, net of any seller's credit and assuming certain call options are not exercised

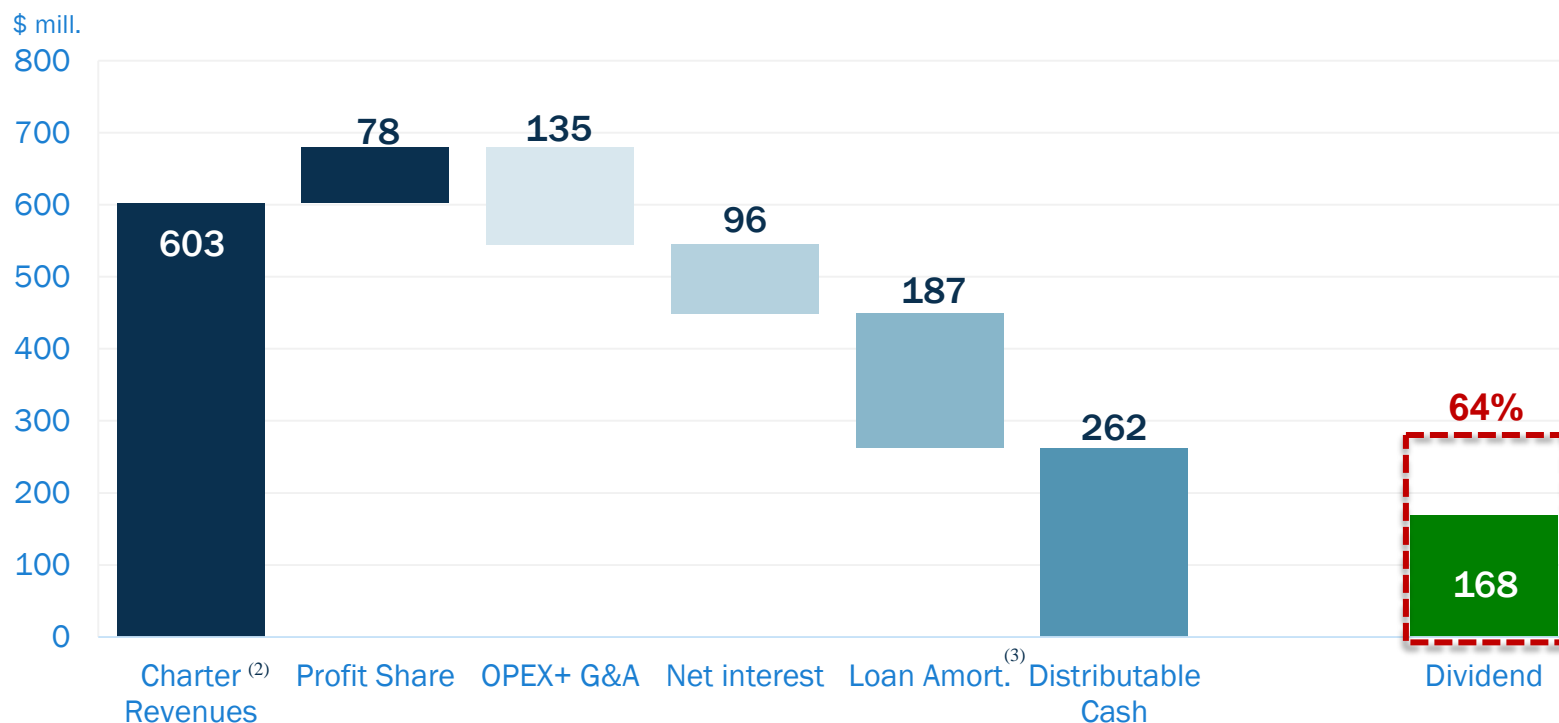
2) As of Jun 30, 2016, weighted by charter revenue

Contribution from Projects last 12 months⁽¹⁾

Large performing fleet generating significant cash flows

\$545m EBITDA-equivalent last twelve months

\$262m net cash flow from projects after interest and debt amortization⁽³⁾



1) Not as accounted per US GAAP and including cash flow in subsidiaries accounted for as 'investment in associate'.

2) Charter revenues and return on financial investments, including dividend from Frontline.

3) Ordinary installments relating to the Company's projects. Excluding prepayments when vessels are sold.

Pro-forma illustration of cash flow⁽¹⁾

- Not as accounted for under US GAAP
- Used as an internal guideline to assess the Company's performance
- Excluding extraordinary and non-cash items

	2Q 2016		1Q 2016	
	\$ mill.	\$/share	\$ mill.	\$/share
Charter hire				
VLCC	21.6	0.23	21.8	0.23
Suezmax ⁽²⁾	7.9	0.08	9.4	0.10
Chemical Tankers	1.5	0.02	1.5	0.02
Liner (Container and Car Carriers)	35.1	0.38	31.6	0.34
Drybulk	26.4	0.28	26.2	0.28
Offshore	51.0	0.55	55.6	0.59
Sum charter hire, excluding profit share	143.4	1.53	146.2	1.56
Vessel operation expenses⁽²⁾ and G&A	(34.4)	(0.37)	(35.8)	(0.38)
Profit share and cash sweep	14.1	0.15	24.9	0.27
Financial investments	4.9	0.05	4.1	0.04
EBITDA including profit share and cash sweep	128.0	1.37	139.5	1.49

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

<i>(in thousands of \$ except per share data)</i>	Three months ended		Full year 2015 (audited)
	Jun 30, 2016	Mar 31, 2016	
Charter revenues - operating lease	72 477	74 946	266 480
Charter revenues - finance lease	25 399	26 562	117 778
Revenues classified as Repayment of investment in finance leases	(7 974)	(8 847)	(37 125)
Profit share income ⁽¹⁾	14 089	24 922	39 717
Cash sweep income	-	-	19 890
Total operating revenues	103 991	117 583	406 740
Gain on sale of assets and termination of charters	-	14	7 364
Vessel operating expenses	(33 932)	(34 882)	(120 831)
Administrative expenses	(2 001)	(2 787)	(6 737)
Depreciation	(23 610)	(22 694)	(78 080)
Vessel impairment charge	-	-	(42 410)
Total operating expenses	(59 543)	(60 363)	(248 058)
Operating income	44 448	57 234	166 046
Results in associate	6 941	7 381	33 605
Interest income from associates and long term investments	4 669	4 669	18 672
Interest income, other	651	398	20 470
Interest expense	(14 730)	(14 881)	(58 970)
Amortization of deferred charges	(2 786)	(2 877)	(11 613)
Other financial items	4 146	3 397	52 353
Income (expense) related to non-designated derivatives ⁽²⁾	(4 527)	(8 522)	(19 731)
Taxes	-	-	-
Net income	38 812	46 799	200 832
Basic earnings per share (\$)	0,42	0,50	2,15
Weighted average number of shares	93 504 575	93 473 080	93 449 904
Common shares outstanding	93 504 575	93 504 575	93 468 000

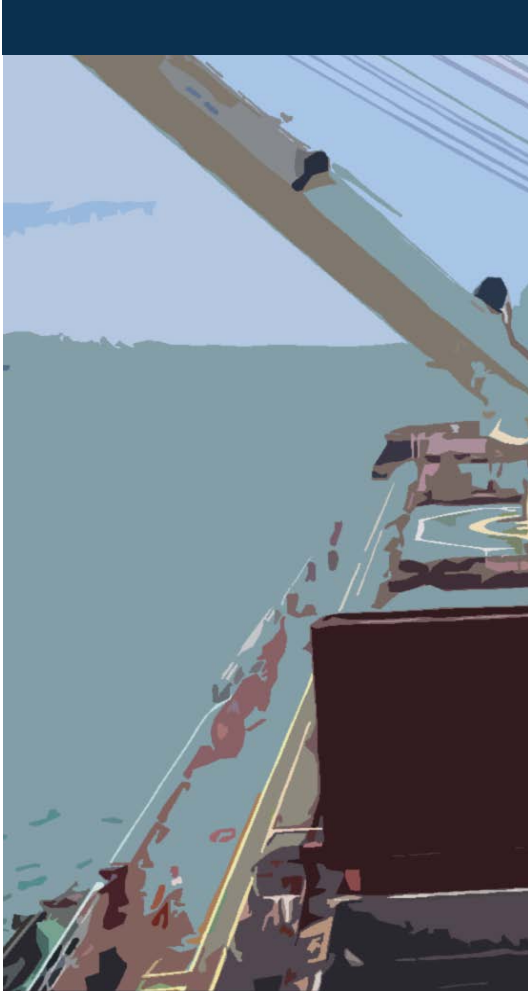
- (1) \$14m from 50% profit share with Frontline in 2Q 2016
- (2) Includes \$3.3m non-cash negative mark-to-market of derivatives

Balance Sheet

<i>(in thousands of \$)</i>	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015 (audited)
ASSETS			
Short term			
Cash and cash equivalents ⁽¹⁾	82 016	84 426	70 175
Available for sale securities	119 975	113 893	199 594
Amount due from related parties	18 663	37 229	45 659
Other current assets	53 969	59 270	60 489
Long term			
Newbuildings and vessel deposits	21 991	25 793	40 149
Vessels and equipment, net	1 789 816	1 715 904	1 641 317
Investment in finance leases	442 910	449 668	474 298
Investment in associate	171	90 369	84 615
Amount due from related parties - Long term	346 952	260 428	387 712
Deferred charges	26 795	29 435	32 271
Other long term assets	27 992	27 993	28 546
Total assets	2 931 250	2 894 408	3 064 825
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short term			
Short term and current portion of long term interest bearing debt	96 881	92 967	208 031
Other current liabilities	14 473	17 645	30 518
Amount due to related parties	1 104	585	416
Long term			
Long term interest bearing debt	1 547 116	1 506 828	1 458 445
Other long term liabilities	136 381	126 928	125 605
Stockholders' equity ⁽²⁾	1 135 295	1 149 455	1 241 810
Total liabilities and stockholders' equity	2 931 250	2 894 408	3 064 825

⁽¹⁾ Excludes \$165m available under revolving credit facilities

⁽²⁾ Book equity ratio of 39%.



Strong liquidity position

- \$247m in total available liquidity at quarter end
 - \$82m cash and cash equivalents
 - \$165m freely available under revolving credit facilities
- Available for sale securities
 - \$33m in tradeable senior secured bonds⁽¹⁾
 - \$89m in FRO shares⁽²⁾

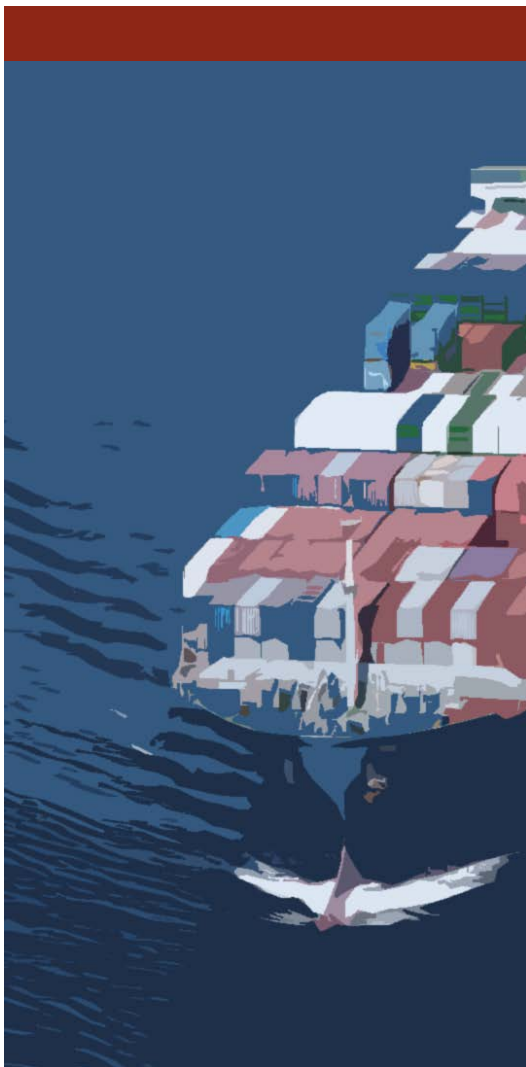
Limited remaining capital expenditure commitments

- 2 x 19,200 TEU container vessels
 - Expected delivery in late 2016 and early 2017
 - ~\$15m net remaining capex per vessel after financing
- 2 x 114,000 dwt LR2 product tankers
 - Expected delivery in second half 2017
 - ~\$43 million remaining capex per vessel before financing

No debt maturities until 4Q 2017

1) Bonds valuation based on broker quotes at quarter end

2) FRO share price of \$8.12 (August 30, 2016)



- **Quarterly dividend of \$0.45 per share**
 - 11.9% dividend yield⁽¹⁾
- **Net Income of \$39m in 2Q 2016**
 - \$159m Aggregate charter revenue⁽²⁾
 - \$128m EBITDA⁽³⁾
- **Fleet renewal and diversification with sale of older vessels and delivery of container vessels with long term charters**
- **Adjusted agreement with Deep Sea Supply, increasing charter backlog and optionality through profit share, without impacting distribution capacity**
- **Strong liquidity position and limited remaining capex**

1) Quarterly cash dividend (annualized) / SFL share price of \$15.16 (August 30, 2016)

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 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-16 press release Appendix 1: Reconciliation of Net Income to EBITDA.