



Ship Finance International Limited

Q2 2018 Results

Aug 22, 2018

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.

Q2 2018 Highlights

Quarterly dividend of \$0.35 per share

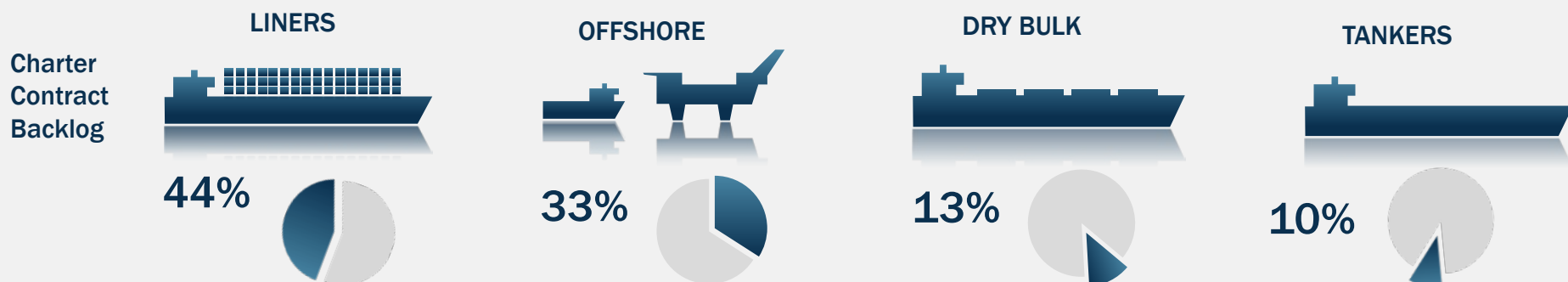
- 9.5% dividend yield⁽¹⁾
- 58th consecutive quarterly dividend
- More than \$2.0 billion aggregate distributions since 2004

Net income of \$16m or \$0.15/share for the quarter

- Aggregate charter hire of \$141m⁽²⁾
- Adjusted EBITDA⁽³⁾ of \$108m

\$164m convertible notes issued in April

- 4.875% p.a. coupon and initial conversion price of ~\$18.93



1) Quarterly cash dividend, annualized / SFL share price \$14.75 as of Aug 21, 2018.

2) Charter hire include total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'.

3) Adjusted EBITDA is a non-GAAP measure and includes assets in 100% owned subsidiaries classified as 'Investment in associates'. For more details please see Q2 18 press release Appendix 1: Reconciliation of Net Income to Adjusted EBITDA.



Acquisition of 3 x large container vessels

- Modern eco-design vessels built in 2015
- Minimum 6 year time charters to a leading container line
- ~\$35.5m in annual EBITDA contribution

Delivery of 19 container vessels in the second quarter

- 15 x feeder-size vessel with 7 year bareboat charters to a leading container line
- 4 x 14,000 TEU vessels with 6 year time charters to Evergreen
- ~\$80m in annual EBITDA, full cash flow effect in Q3 2018

Continuous fleet adjustment and renewal program

- Sale of three older VLCCs
- Sale of 1,700 TEU container vessel
- Sale of jack-up rig Soehanah

Liners: Modern Vessels with Long Term Contracts

3 x 10,600 TEU



Charterer: Leading container line

Contract expiry: 2024 + 2 x 2 year extension options

EBITDA: ~\$35.5 million/year

4 x 14,000 TEU



Charterer: Evergreen - #6 liner worldwide⁽¹⁾

Contract expiry: 2024 + 1.5 year extension options

EBITDA: ~\$60 million/year

2 x 19,200 TEU



Charterer: MSC - #2 liner worldwide⁽¹⁾

Contract expiry: 2031-2032

EBITDA: ~\$30 million/year

7 x 8,700-9,500 TEU



Charterer: Maersk Line - #1 liner worldwide⁽¹⁾

Contract expiry: 2020-2022

EBITDA: ~\$80 million/year

Other liner vessels

Type	No. x Size	Contract Expiry	Charterer
Container	15 x 1,100-4,400 TEU	2025	Leading container line
Container	10 x 1,700-5,800 TEU	2019-2022	MSC
Container	2 x 1,700 TEU	2020	Heung-A
Car Carrier	2 x 6,500 CEU	2018-2019	MOL/spot

\$1,580

million of contracted
revenue⁽²⁾

7.5

Average duration of
current charters in years⁽²⁾

280,000

Aggregate TEU⁽³⁾

¹⁾ Based on operating fleet. Source: Alphaliner.

²⁾ As of June 30, 2018, and adjusted for subsequent acquisitions. Average charter term weighted by charter revenues and excluding option periods.

³⁾ Approximate capacity as of June 30, 2018, and adjusted for subsequent acquisitions.

Tankers: Reducing Risk Amidst Market Softness

5 x VLCC



Built: 2001-2004

Size: ~300,000 DWT

Charterer: Frontline Shipping Limited

Contract expiry: 2023-2027

2 x Suezmax



Built: 2009-2010 with eco upgrades

Size: 156,000 DWT

Charterer: Spot chartering in pool with Frontline vessels

2 x LR2 Product tankers



Built: 2017

Size: 114,000 DWT

Charterer: Phillips 66

Contract expiry: 2024 + 5 x 1 year extension options

2 x Chemical tankers



Built: 2008

Size: 17,000 DWT

Charterer: Sinochem

Contract expiry: 2021

\$370

million of contracted
revenue⁽¹⁾

7.0

Average duration of
current charters in years⁽¹⁾

2.1

Million aggregate dwt⁽²⁾

1) As of June 30, 2018, and adjusted for subsequent sales. Average charter term weighted by charter revenues and excluding option periods. Assuming base charter rate for the VLCCs on charter to Frontline Shipping Limited.

2) Approximate capacity as of June 30, 2018, and adjusted for subsequent sales.

Dry bulk: Improving Market Fundamentals

8 x Capesize



Built: 2009-2013

Size: ~180,000 DWT

Charterer: Golden Ocean

Contract expiry: 2025 + 3 year extension option

2 x Kamsarmax



Built: 2012

Size: 82,000 DWT

Charterer: Sinotrans Group

Contract expiry: 2022

5 x Supramax



Built: 2009-2012

Size: 57,000 DWT

Charterer: Hyundai Glovis

Contract expiry: 2018-2022

7 x Handysize



Built: 2011-2013

Size: 32-34,000 DWT

Charterer: N/A (Spot chartering)

\$450

Million of contracted
revenue⁽¹⁾

6.2

Average duration of
current charters in years⁽¹⁾

2.1

Million aggregate DWT⁽²⁾

¹⁾ As of June 30, 2018. Average charter term weighted by charter revenues and excluding option periods.

²⁾ Approximate capacity as of June 30, 2018.

Offshore: Activity slowly picking up

West Linus



Type: Harsh-environment jack-up rig
Built: 2014
Charterer: Seadrill
Sub-Charterer: ConocoPhillips
Contract expiry: 2029

West Hercules



Type: Harsh-environment semi-submersible rig
Built: 2008
Charterer: Seadrill
Sub-Charterer: Siccar Point Energy + Equinor
Contract expiry: 2024

West Taurus



Type: Semi-submersible rig
Built: 2008
Charterer: Seadrill
Sub-Charterer: N/A
Contract expiry: 2024

3 AHTS + 2 PSV



Built: 1 x 1998 + 4 x 2007
Charterer: Subsidiary of Solstad Farstad
Sub-Charterer: N/A
Contract expiry: 2027

\$1,160

million of contracted
revenue⁽¹⁾

8.6

Average duration of
current charters in years⁽¹⁾

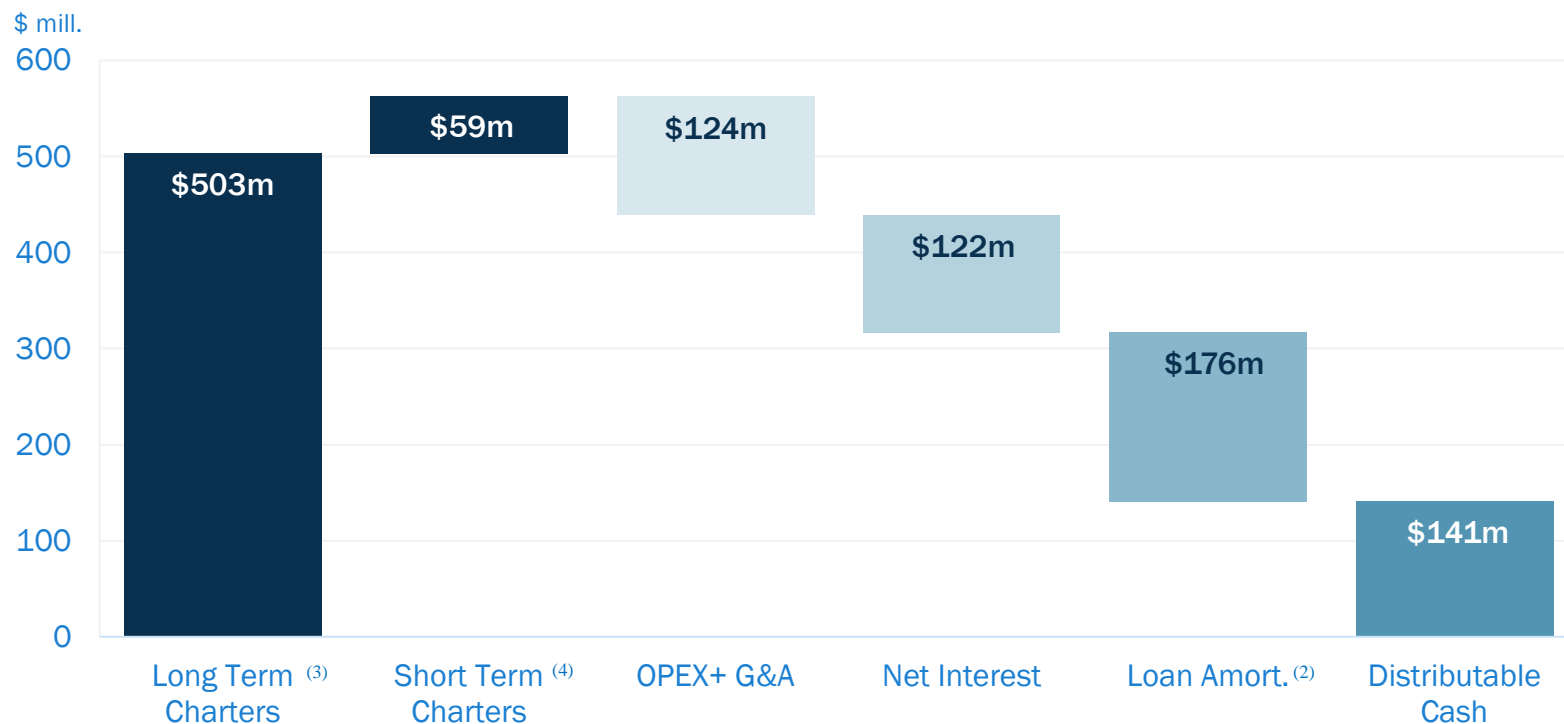
1) As of June 30, 2018. Average charter term weighted by charter revenues and excluding option periods.

Contribution from Projects Last 12 Months⁽¹⁾

Large performing fleet generating significant cash flows

\$439m adjusted EBITDA-equivalent last 12 months

\$141m net cash flow from projects after interest and debt amortization⁽²⁾

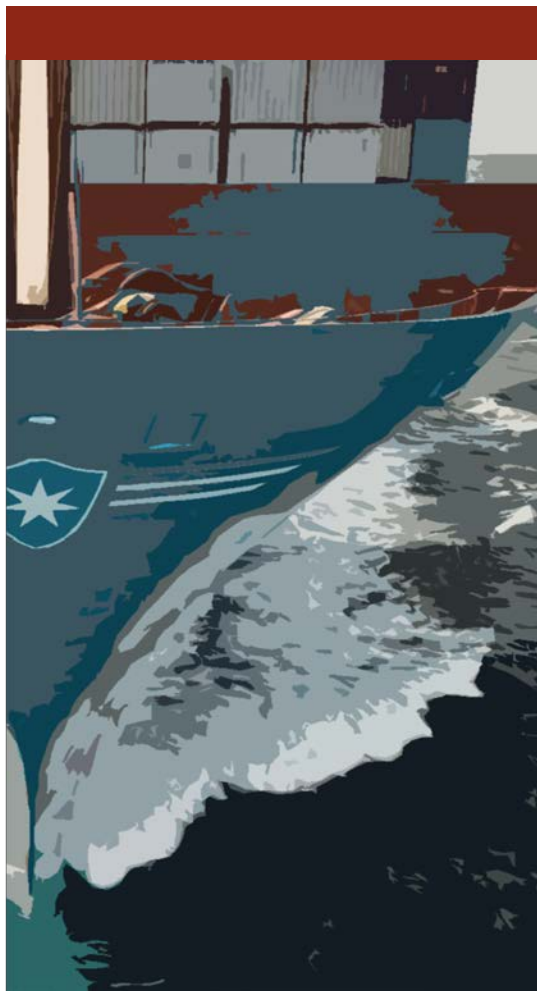


1) Not as accounted per US GAAP and including cash flow in 100% owned subsidiaries accounted for as 'investment in associates'.

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

3) Long Term Charters includes total gross charter hire related to contracts undertaken for a period greater than one year from all owned vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'.

4) Short Term Charters includes gross hire from short term charters and voyage charters.



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

	Q2 2018 ⁽²⁾		Q1 2018 ⁽²⁾	
	\$ mill.	\$/share	\$ mill.	\$/share
CHARTER HIRE				
Tankers	21.3	0.20	23.2	0.22
Liner (Container and Car Carriers)	52.5	0.49	41.3	0.40
Dry bulk	29.4	0.27	28.9	0.28
Offshore	35.2	0.33	36.0	0.35
SUM charter hire	138.4	1.29	129.4	1.25
Vessel operating expenses and G&A	(30.9)	(0.29)	(29.9)	(0.29)
Financial investments	0.3	0.00	0.0	0.00
Adjusted EBITDA	107.7	1.00	99.5	0.96

1) Including charter hire in subsidiaries accounted for as 'investment in associates'

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

Income Statement

(in thousands of \$ except per share data)	Three months ended	
	Jun 30, 2018	Mar 31, 2018
Charter revenues - operating lease	79 450	76 375
Charter revenues - finance lease (net of charter hire treated as		
Repayment of investment in finance leases)	17 345	15 974
Profit share income	-	-
Total operating revenues	96 795	92 349
Gain (loss) on sale of assets and termination of charters	(195)	(1 428)
Vessel operating expenses	(30 861)	(30 697)
Administrative expenses	(2 628)	(2 529)
Depreciation	(24 110)	(22 334)
Vessel impairment charge	(21 779)	-
Total operating expenses	(79 378)	(55 560)
Operating income	17 222	35 361
Results in associates	3 856	3 595
Interest income from associates	3 532	3 532
Interest income, other	792	320
Interest expense	(23 957)	(20 861)
Amortization of deferred charges	(2 316)	(1 671)
Income (expense) related to non-designated derivatives	681	5 129
Mark to market of equity securities	16 300	(996)
Other financial items	(344)	246
Taxes	-	-
Net income	15 766	24 655
Basic earnings per share (\$)	0,15	0,24
Weighted average number of shares ⁽¹⁾	104 953 386	103 357 879
Common shares outstanding ⁽¹⁾	107 607 222	103 582 238

COMMENTS

Charter revenues – finance leases:

- Excludes \$9.5m of charter hire treated as “Repayment of investment in finance leases”

Vessel impairment charge:

- \$21.8m impairment charge on three VLCCs agreed sold post quarter end

Mark to market of equity securities:

- Changes in fair value of equity investments held under “Investment in marketable securities” recognized in income statement from Q1 2018

Common shares outstanding:

- ~4m common shares issued in connection with acquisition of container vessels

¹⁾ The weighted average number of shares and the number of common shares outstanding excludes up to 15 million shares issued by Ship Finance as part of share lending arrangements in connection with the Company's offering of the 2021 and 2023 Notes. The shares are owned by Ship Finance and will be returned on or before maturity of the 2021 and 2023 Notes, thus they are excluded in the calculation of earnings per share.

Balance Sheet

<i>(in thousands of \$)</i>	Jun 30, 2018	Mar 31, 2018
ASSETS		
Short term		
Cash and cash equivalents	144 787	139 991
Investment in marketable securities	113 627	95 034
Amount due from related parties	6 851	6 202
Other current assets	141 470	51 704
Long term		
Vessels and equipment, net	2 072 290	1 740 274
Investment in finance leases	621 011	557 011
Investment in associates	18 491	14 706
Amount due from related parties - Long term	298 156	294 800
Other long term assets	47 365	29 338
Total assets	3 464 048	2 929 060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short term		
Short term and current portion of long term interest bearing debt	734 438	374 500
Amount due to related parties	4 608	3 102
Other current liabilities	70 037	63 155
Long term		
Long term interest bearing debt, net of deferred charges	1 181 692	1 060 659
Other long term liabilities	231 449	233 781
Stockholders' equity	1 241 824	1 193 863
Total liabilities and stockholders' equity	3 464 048	2 929 060

COMMENTS

Cash and cash equivalents:

- Excludes \$16.5m of freely available cash in subsidiaries accounted for as "Investment in associates"

Other current assets:

- Includes jack-up drilling rig Soehanah classified as "Held for sale"

Short term and current portion of long term interest bearing debt:

- Includes \$320m intermediary facility for financing of container vessels

Stockholders' equity:

- Book equity ratio of 35.8%



Strong liquidity position and several debt free vessels

- \$161m in total available liquidity at quarter end
- \$114m in available for sale securities⁽¹⁾
- Six debt free vessels and rigs at quarter end

New financings at attractive terms

- \$164m convertible notes issued April 2018
- \$50m financing of 15 feeder size container vessels
- \$320m intermediary financing of four 14,000 TEU container vessels
- \$200m offer for intermediary financing of three 10,600 TEU container vessels

1) Market value as per June 30, 2018.



- **Quarterly dividend of \$0.35 per share**
 - 9.5% dividend yield⁽¹⁾
- **Net Income of \$16m (\$0.15/share)**
 - \$141m Aggregate charter hire⁽²⁾
 - \$108m Adjusted EBITDA⁽³⁾
- **Strengthened balance sheet**
 - Issued \$164m convertible notes
- **Significant fleet and backlog growth**
 - Added more than \$800m to the charter backlog last 5 months
 - Significant shift in fleet composition
 - Increasingly diversified high quality counterparties

1) Quarterly cash dividend (annualized) / SFL share price of \$14.75 (Aug 21, 2018).

2) Charter revenues includes total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'.

3) Adjusted EBITDA is a non-GAAP measure and includes assets in 100% owned subsidiaries classified as 'Investment in associates'. For more details please see Q2 18 press release Appendix 1: Reconciliation of Net Income to EBITDA.