



Ship Finance International Limited (NYSE: SFL) - Earnings Release

Reports preliminary 4Q 2009 results and quarterly dividend of \$0.30 per share

Hamilton, Bermuda, February 26, 2010. Ship Finance International Limited (“Ship Finance” or the “Company”) today announced its preliminary financial results for the quarter ended December 31, 2009.

Highlights

- Declared a quarterly dividend of \$0.30 per share.
- Reported net income for the quarter of \$62.4 million, or \$0.80 per share. The result includes a \$24.7 million cash gain related to the newbuilding Suezmax *Glorycrown*.
- Accrued profit share in the fourth quarter was \$5.7 million, or \$0.07 per share. The total accrued profit share for 2009 was \$33.0 million and is payable in March 2010.
- In November 2009, the first newbuilding Suezmax tanker was delivered from the shipyard and was chartered out for five years with a purchase obligation at the end. The transaction also included a \$40.5 million upfront cash payment by the charterer.
- In November 2009, the charterer of the single-hull VLCC *Front Vanadis* exercised a pre-agreed purchase option of \$11.7 million.
- In February 2010, the VLCC *Front Vista* was sold to a subsidiary of Frontline Ltd. (“Frontline”) for net sales proceeds of \$58.5 million.
- Ship Finance has converted newbuilding contracts for container vessels into Handysize dry bulk vessels with delivery in 2011 and 2012.
- The Company is in the process of refinancing a syndicated bank loan relating to 26 vessels on charter to Frontline. The new five-year \$675 million facility is already significantly oversubscribed, and we expect the documentation to be finalized in the first quarter.

Dividends and Results for the Quarter ended December 31, 2009

The Board of Directors has declared a quarterly cash dividend of \$0.30 per share. The dividend will be paid on or about 30 March, 2010 to shareholders of record as of 19 March, 2010. The ex-dividend date will be 17 March, 2010.

The profit share accrued in the fourth quarter was \$5.7 million, or \$0.07 per share, compared to \$4.8 million, or \$0.06 per share in the third quarter of 2009. The total profit share accrued in 2009 was \$33.0 million, and will be payable in March 2010.

Under US GAAP, the 100% owned ultra-deepwater drilling units *West Polaris*, *West Hercules* and *West Taurus* and the Panamax dry bulk vessel *Golden Shadow* are accounted for as ‘investment in associate’. Consequently, only the aggregate ‘net income’ from these vessel-owning subsidiaries is recognized in the consolidated income statement of Ship Finance as ‘results in associate’.

The Company reported total net operating revenues of \$80.1 million, or \$1.03 per share, in the fourth quarter of 2009. This number excludes charter hire classified as ‘repayment of investments in finance lease’, and also excludes substantial charter revenues earned by the three 100% owned subsidiaries classified as ‘investment in associate’. Gross charter hire revenues, including these items, were \$202.8 million or \$2.60 per share.

Reported net operating income for the quarter was \$72.2 million, or \$0.92 per share, and reported net income was \$62.4 million, or \$0.80 per share.

Financing and Capital Expenditure

As of December 31, 2009, the Company had \$84.2 million of available cash. There are no refinancing requirements in the short term, and the Company is in compliance with all bank covenants.

Most of our charter arrangements and corresponding loan facilities have been structured with a front-loaded payment structure, effectively reducing the Company's financial exposure to the assets. In addition, several of our financing arrangements are in subsidiaries with no or limited guarantees from Ship Finance.

Ship Finance is in the process of refinancing a syndicated bank loan relating to 26 crude oil tankers and oil/bulk/ore carriers ("OBOs") on charter to Frontline. The new five-year \$675 million facility is already significantly oversubscribed, and documentation/closing is expected to be finalized in March 2010. The net interest payable, adjusted for interest rate swaps, is expected to be at a similar level as for the existing loan facility.

The Company has also secured \$85 million in bank financing for the two newbuilding Suezmax tankers *Glorycrown* and *Everbright*, with drawdown expected in the first quarter. This will further strengthen the Company's liquidity position.

At quarter end, and adjusted for subsequent agreements with shipyards relating to conversion from container vessels to dry bulk vessels, the Company had gross estimated capital commitments of \$223 million.

	2010	2011	2012	Total
Tankers	\$47 mill.	-	-	\$47 mill.
Dry bulk	\$25 mill.	\$75 mill.	\$49 mill.	\$149 mill.
Container vessels	\$27 mill.	-	-	\$27 mill.
Gross investment	\$99 mill.	\$75 mill.	\$49 mill.	\$223 mill.

\$46.7 million in the first quarter of 2010 relates to the Suezmax newbuilding *Everbright*, which is expected to be delivered from the shipyard in March 2010. Net of \$40.5 million upfront payment by the charterer, and a \$42.6 million bank financing, we expect approximately \$36.4 million positive cash effect in the quarter from this transaction.

\$149 million of the remaining capital commitments relates to seven 32-34,000dwt Handysize dry bulk vessels with expected delivery in 2011-2012. This includes four 34,000dwt vessels where we have an agreement in principle with the shipyard, but final contracts have not yet been signed. The seven vessels will replace four container vessels, and the only remaining container vessel in our newbuilding program will then be a 1,700teu vessel with remaining yard payments of \$27 million and estimated delivery in the fourth quarter of 2010. To date all payment to the shipyards have been funded from our cash position, and we expect to secure financing for these vessels in due course.

Business Update

As of December 31, 2009 and adjusted for the subsequent sale of a VLCC, the gross fixed-rate charter backlog from our operating fleet of 61 vessels and rigs was approximately \$6.9 billion, with an average remaining charter term of 9.5 years, or 12.6 years if weighted by charter revenue. Some of our charters include purchase options that, if exercised, would reduce the fixed charter backlog and average remaining charter term.

In November 2009, the first Suezmax tanker was delivered from the shipyard and thereafter chartered to an affiliate of North China Shipping Holdings Co. Ltd. ("North China"), pursuant to a 5-year bareboat charter agreement. Previously, the Company had agreed to sell the vessel to North China, but agreed to amend the agreement to a bareboat charter in late 2009. Ship Finance received \$40.5 million net upfront, and will receive bareboat hire of \$16,700 net per day for the five-year charter period. North China has been granted

annual purchase options and will after five years have an obligation to purchase the vessel for \$40.7 million net.

The second Suezmax tanker is scheduled to be delivered from the shipyard in March 2010, and will thereafter be chartered to North China based on similar hire/purchase terms. These transactions have increased our contract backlog by approximately \$61 million, excluding upfront payments and purchase obligations.

29 of our crude oil tankers and eight of our OBOs operate on long term contracts to 'single purpose' subsidiaries of Frontline. In addition to the fixed base charter rate, Ship Finance is also entitled to receive 20% of the time charter equivalent ("TCE") earnings for these vessels in excess of a base charter rate.

The spot tanker market earnings increased slightly in the fourth quarter 2009 compared to the third quarter 2009. This resulted in an increased profit share contribution of \$5.7 million and a total profit share contribution of \$33.0 million in 2009. There has been a profit share contribution every quarter since the inception of the charters, and the management expects that this trend will continue in 2010.

Concurrent with the refinancing of loan facilities, we will make certain amendments to the charter agreements with Frontline and two of its chartering subsidiaries relating to 31 double-hull crude oil tankers and OBOs. Frontline has until now not guaranteed the payment of charter hire under the charters, and the two chartering subsidiaries have been required to keep an average cash buffer of approximately \$5.5 million per vessel to support the charter obligations to Ship Finance. Over the last 6 years, these deposits have never been touched, and we have now agreed with Frontline to reduce the cash level to a fixed level of \$2 million per vessel, in exchange for a full corporate guarantee from Frontline for the payment of charter hire.

The cash buffer provided by Frontline will then be reduced by approximately \$112 million to \$62 million for the 31 vessels. Further, the parties have agreed a net upfront payment of charter hire less operating expenses of approximately \$73 mill, covering part of the payments due over the next six months. The agreement will reduce Frontline's cash breakeven level for these vessels during this period. The prepayment of charter hire and corresponding operating expenses is not expected to have an accounting effect for Ship Finance.

The Company's four drilling units are all on long-term fixed bareboat contracts to Seadrill, and generated more than \$96 million of combined charter revenues in the fourth quarter. Seadrill has sub-chartered all our drilling units to oil companies on very profitable terms. Due to the fixed-rate charter structure, Ship Finance is not directly impacted by short-term fluctuations in the drilling market.

In November 2009, Great Elephant Corporation ("Great Elephant"), a subsidiary of Taiwan-based TMT Co. exercised a pre-agreed purchase option for the single-hull VLCC *Front Vanadis* at a cost of \$11.7 million. Net cash effect to the Company in the fourth quarter was approximately \$1.2 million after repayment of associated debt. Great Elephant continues to charter the single-hull vessel *Front Sabang* on hire/purchase terms with expiry in 2011.

In February 2010, Ship Finance announced the sale of the 1998-built VLCC *Front Vista* to a subsidiary of Frontline Ltd. ("Frontline") for total sales proceeds of \$58.5 million. This includes a compensation by Frontline for the termination of the charter agreement. Net cash proceeds to the Company will be approximately \$22.1 million after prepayment of associated debt, and the book gain on sale will be approximately \$1.8 million in the first quarter.

In light of the current weak container market, the Company has agreed with two shipyards in China to build seven Handysize dry bulk vessels instead of container vessels. The contract price for the dry bulk vessels will be approximately \$188 million, which is reflective of the present market. Ship Finance will then avoid a significant potential mark-to-market loss on the container contracts. The contracts for the first three vessels have been finalized already, while the contract for the remaining four vessels is expected to be signed shortly. Delivery of the dry bulk vessels is scheduled for 2011-2012, and we have already seen chartering interest for the vessels from leading dry bulk operators.

Ship Finance also owns several offshore support vessels, container vessels, chemical tankers, and dry bulk vessels. All our operating vessels and rigs, except one 1,700 teu container vessel, are on long-term fixed contracts that provides the Company with stability in cash-flow and earnings irrespective of fluctuations in the short-term charter market.

Corporate and Other Matters

In September 2009, approximately 51% of our shareholders elected to receive the dividend declared for the second quarter 2009 in newly issued shares, and consequently the Company issued approximately 0.9 million shares in October 2009. Following this share issue, the total number of shares outstanding at the end of the fourth quarter was 78.2 million.

In January 2010, approximately 52% of our shareholders elected to receive the dividend declared for the third quarter 2009 in newly issued shares, and the Company issued approximately 0.9 million new shares. Following this share issue, subsequent to year-end, the total number of shares outstanding is currently 79.1 million.

After four successive quarters where shareholders could receive the dividend in newly issued shares, this will not be an option this quarter. Shareholders who would like to reinvest their dividend in additional shares are encouraged to sign up for our Dividend Reinvestment Plan with our transfer agent BNY Mellon. A link is available at the Company's website: www.shipfinance.org

In October 2009, a total of 65,000 new options were issued to the Board of Directors. The new options were issued pursuant to the Company's Share Option Scheme and have a five-year term with a three-year vesting period. The initial strike price was \$13.00, and the first options will be exercisable in October 2010.

In the fourth quarter, the Company terminated a total return swap for 692,000 shares. The termination resulted in a mark-to-market gain of \$1.5 million in the fourth quarter and a positive cash contribution of \$3.6 million.

Strategy and Outlook

The last year has been challenging for everyone in the shipping and offshore markets, with significant uncertainties both relating to the underlying market development but also to the impact from the issues in the banking sector.

It is therefore very encouraging to see the overwhelming interest from banks in connection with the \$675 million refinancing of 26 of our tankers and OBOs. We believe this is a confirmation of our standing in the financing market, where our conservative business approach and diversified asset portfolio gives Ship Finance a competitive edge when others struggle.

We have proactively renegotiated container newbuilding contracts in order to enhance value for our shareholders, and we intend to continue an opportunistic approach when developing new long-term business. Following more than \$2.5 billion in new investments in 2008, our key focus during the turbulence in the financial markets in 2009 was to ensure that the Company maintained its robust profile.

Going forward, we believe there will be a number of interesting new project opportunities. With our healthy capital structure and low capital commitments, we believe we are well positioned to take advantage of this, and remain committed to building our long-term distribution capacity.

Forward Looking Statements

This press release 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 worldwide 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, drydocking 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.

February 26, 2010
The Board of Directors
Ship Finance International Limited
Hamilton, Bermuda

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SHIP FINANCE INTERNATIONAL LIMITED
FOURTH QUARTER 2009 REPORT (UNAUDITED)

INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	Three months ended		Twelve months ended	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Charter revenues - operating lease	17,631	19,252	71,881	75,209
Charter revenues - finance lease	135,233	111,475	450,707	483,480
Revenues classified as Repayment of investment in finance leases	(78,500)	(45,098)	(210,386)	(211,305)
Profit share income	5,748	15,651	33,018	110,962
Total operating revenues	80,112	101,280	345,220	458,346
Gain / (loss) on sale of assets	24,702	-	24,721	17,377
Vessel operating expenses	(22,005)	(25,505)	(91,493)	(100,447)
Administrative expenses	(3,002)	(2,584)	(12,192)	(9,836)
Depreciation	(7,638)	(7,522)	(30,236)	(28,038)
Vessel impairment adjustments	-	-	(26,756)	-
Total operating expenses	(32,645)	(35,611)	(160,677)	(138,321)
Operating income	72,169	65,669	209,264	337,402
Results in associate ⁽¹⁾	18,000	15,247	75,629	22,799
Interest income	64	1,071	240	3,478
Interest expense	(27,265)	(33,885)	(117,075)	(127,192)
Other financial items	(207)	135	(1,625)	(349)
Impairment adjustment to investment	-	-	(7,110)	-
Mark to Market of Derivatives	1,673	(45,155)	12,675	(54,527)
Gain on re-purchase of Company Bonds	(2,001)	-	20,600	-
Taxes	-	-	-	-
Net income	62,433	3,082	192,598	181,611
Basic earnings per share (\$)	0.80	0.04	2.59	2.50
Weighted average number of shares	78,043,558	72,743,737	74,399,126	72,743,737
Common shares outstanding	78,194,699	72,743,737	78,194,699	72,743,737

(1) Three of our 100% owned subsidiaries, owning four of our units are accounted for as 'Investment in associate', and only the net income from these subsidiaries is therefore included in our consolidated Income Statement.

SHIP FINANCE INTERNATIONAL LIMITED
FOURTH QUARTER 2009 REPORT (UNAUDITED)

BALANCE SHEET <i>(in thousands of \$)</i>	Dec 31, 2009	Dec 31, 2008
ASSETS		
<i>Short term</i>		
Cash and cash equivalents	84,186	46,075
Restricted cash	4,101	60,103
Amount due from related parties	33,861	45,442
Other current assets	143,109	179,922
<i>Long term</i>		
Newbuildings	71,047	69,400
Vessels and equipment, net	556,607	586,816
Investment in finance leases	1,653,826	1,916,510
Investment in associate ⁽¹⁾	444,435	420,977
Deferred charges	7,927	14,696
Other long-term assets	2,329	8,545
Total assets	3,001,428	3,348,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	266,041	385,577
Other current liabilities	26,919	101,193
Amount due to related parties	26,922	6,472
<i>Long term</i>		
Long term interest bearing debt	1,843,408	2,209,939
Other long term liabilities	88,809	127,955
Stockholders' equity ⁽²⁾	749,329	517,350
Total liabilities and stockholders' equity	3,001,428	3,348,486

- (1) Three of our 100% owned subsidiaries, owning four of our units, are accounted for as 'Investment in associate'. Stockholder's equity in each subsidiary is adjusted for current account balance.
- (2) As of December 31, 2009, 'Stockholders' equity' excludes \$206.5 million of deferred equity which is being recognized over time. In connection with the initial and subsequent acquisitions of vessels from Frontline, Ship Finance has accounted for the difference between the historical cost of the vessels and the net investment in the lease as a deferred equity contribution. This deferred equity contribution is shown as a reduction in the net investment in finance leases in the balance sheet. This results from the related party nature of both the transfer of the vessel and the subsequent charter. This deferred equity is amortized to 'Stockholders' equity' in line with the charter payments received from Frontline.

SHIP FINANCE INTERNATIONAL LIMITED
FOURTH QUARTER 2009 REPORT (UNAUDITED)

STATEMENT OF CASHFLOWS <i>(in thousands of \$)</i>	Three months ended		Twelve months ended	
	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net income	62,433	3,082	192,598	181,611
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortisation	8,197	8,387	32,860	31,048
Asset impairment adjustments	-	-	33,866	-
Adjustment of financial derivatives to market value	(1,673)	45,155	(12,675)	54,527
Gain on sale of assets	(24,702)	-	(24,721)	(17,377)
Result in associate	(18,000)	(15,247)	(75,629)	(22,799)
Stock based compensation	425	333	1,392	1,457
Gain on re-purchase of Company Bonds	2,001	-	(20,600)	-
Other	(65)	175	(477)	(2,956)
Change in operating assets and liabilities	(16,117)	35,009	(1,092)	(14,125)
Net cash provided by operating activities	12,499	76,894	125,522	211,386
INVESTING ACTIVITIES				
Repayment of investments in finance leases	78,241	44,855	209,369	210,348
Restricted cash released/(placed)	813	(23,763)	56,002	(33,120)
Proceeds from sale of vessel/new buildings	11,466	-	163,086	23,005
Received in respect of terminated contract	-	1,845	-	1,845
Net investment in newbuildings	(47,773)	(3,779)	(71,468)	(22,395)
Purchase of vessels	-	(30,099)	(0)	(164,200)
Cash received from/(Investment in) associates	18,700	(296,585)	68,000	(442,891)
Purchase of short term investment	-	-	-	-
Other assets / investments	(4)	(72)	(921)	(6,537)
Net cash (used in) provided by investing activities	61,443	(307,598)	424,068	(433,945)
FINANCING ACTIVITIES				
Repurchase of shares	-	-	-	-
Proceeds from long and short term debt	-	240,500	134,500	576,973
Expenses paid in connection with securing finance	-	537	(752)	(1,551)
Repayment of long and short term debt	(75,535)	(71,112)	(446,060)	(251,451)
Re-purchase of Company bonds	-	-	(125,405)	-
Cash settlement of derivatives	3,619	(11,804)	(14,666)	(10,655)
Cash received from share issue	18	-	16,472	-
Cash dividends paid	(10,712)	-	(75,568)	(122,937)
Net cash provided by (used in) financing activities	(82,610)	158,121	(511,479)	190,379
Net (decrease) increase in cash and cash equivalents	(8,668)	(72,583)	38,111	(32,180)
Cash and cash equivalents at start of period	92,854	118,658	46,075	78,255
Cash and cash equivalents at end of period	84,186	46,075	84,186	46,075

**SUBSIDIARIES ACCOUNTED FOR AS INVESTMENT IN ASSOCIATES
FOURTH QUARTER 2009 (UNAUDITED)**

Please note that full preliminary accounts for SFL West Polaris Limited, SFL Deepwater Ltd and Front Shadow Inc. are available from the Company's website: www.shipfinance.org.

Selected income statement data for the three months ended December 31, 2009

<i>(in thousands of \$)</i>	SFL West Polaris Limited	SFL Deepwater Ltd	Front Shadow Inc	Total
Charter revenues - finance lease	31,996	58,691	723	91,410
Revenues classified as Repayment of investment in finance leases	(18,073)	(36,722)	(456)	(55,251)
Total operating expenses	(1)	(1)	-	(2)
Interest expense	(8,470)	(9,568)	(39)	(18,077)
Other items	(2)	(76)	(1)	(79)
Net income⁽¹⁾	5,450	12,324	227	18,000

(1) Net income from these 100% owned subsidiary appears in the Company's consolidated income statement as 'Results in associate'.

Selected balance sheet data as of December 31, 2009

<i>(in thousands of \$)</i>	SFL West Polaris Limited	SFL Deepwater Ltd	Front Shadow Inc	Total
Cash and cash equivalents	1	2	-	3
Investment in finance leases	763,611	1,548,270	23,444	2,335,325
Other assets	41,080	66,056	64	107,200
Total assets	804,692	1,614,328	23,508	2,442,528
Short term and current portion of long term interest bearing debt	72,250	155,833	2,060	230,143
Other current liabilities	5,153	8,284	1,394	14,831
Long term interest bearing debt	546,458	1,099,417	14,460	1,660,335
Other long term liabilities	31,630	1,785	2,600	36,015
Stockholders equity⁽¹⁾	149,201	349,009	2,994	501,204
Total liabilities and stockholders' equity	804,692	1,614,328	23,508	2,442,528

(1) Stockholder's equity adjusted for current account balance appears in the Company's consolidated balance sheet as 'Investment in associate'.