

Ship Finance International LTD
Form 424B2
June 20, 2013
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-170598

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered/Proposed Maximum/Aggregate Offering Price	Per Security/Proposed
	Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
Common Shares, par value \$1.00 per share	\$138,480,000	\$18,960.00

- (1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.
(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated November 12, 2010)

8,000,000 Shares

Ship Finance International Limited

Common Shares

We are offering for sale 8,000,000 of our common shares.

Our common shares are listed on the New York Stock Exchange under the symbol SFL. On June 14, 2013, the last sale price of our common shares as reported on the New York Stock Exchange was \$16.99 per share.

*Investing in our common shares involves risks. See **Risk Factors** beginning on page S-9 of this prospectus supplement, in the accompanying prospectus and in our Annual Report on Form 20-F for the year ended December 31, 2012, filed with the Securities and Exchange Commission on April 17, 2013.*

The underwriter has agreed to purchase the common shares from us at a price of \$16.15 per share, which will result in net proceeds to us of approximately \$128.7 million, after deducting estimated expenses relating to this offering, of approximately \$475,000. The underwriter proposes to offer the common shares from time to time for sale in negotiated transactions or otherwise, at market prices on the New York Stock Exchange prevailing at the time of sale, at prices related to such prevailing market prices or otherwise.

Neither the Securities and Exchange Commission nor any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley expects to deliver the common shares to the purchasers on or about June 21, 2013.

Morgan Stanley

June 18, 2013

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS OR IN ANY FREE WRITING PROSPECTUS FILED BY US WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER WE NOR THE UNDERWRITER HAS AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. NEITHER WE NOR THE UNDERWRITER ARE MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER AND SALE IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS, ANY FREE WRITING PROSPECTUS OR ANY DOCUMENT INCORPORATED BY REFERENCE IS ACCURATE AS OF ANY DATE OTHER THAN THEIR RESPECTIVE DATES. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and the common shares offered hereby, and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information and disclosure about us. When we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement, the accompanying prospectus and the documents incorporated into each by reference include important information about us, the common shares being offered and other information you should know before investing. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, **Where You Can Find Additional Information** before investing in our common shares.

We prepare our financial statements, including all of the financial statements included or incorporated by reference in this prospectus supplement, in U.S. dollars and in conformity with accounting principles generally accepted in the United States, or U.S. GAAP. We have a fiscal year end of December 31.

Any statement made in this prospectus supplement, the accompanying prospectus or in a document incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of our securities.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, or the Commission, a registration statement including exhibits and schedules thereto on Form F-3 under the Securities Act with respect to the common shares offered hereby. This prospectus supplement, which forms a part of the registration statement, does not contain all of the information in the registration statement, as permitted by Commission rules and regulations. For further information with respect to us and the common shares offered hereby, reference is made to the registration statement. In addition, we are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, and file reports and other information with the Commission. You can read and copy any materials we file with the Commission at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the Commission's Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains a web site that contains information we file electronically, which you can access over the internet at <http://www.sec.gov>.

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INFORMATION INCORPORATED BY REFERENCE

The Commission allows us to incorporate by reference information that we file with, or furnish to, it. This means that we can disclose important information to you by referring you to those filed documents. The information listed below is incorporated by reference and is considered to be a part of this prospectus

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supplement, and information that we file later with the Commission before all of the securities offered by this prospectus are sold will also be considered to be part of this prospectus supplement and will automatically update and supersede previously filed information, including information contained in this document.

Current report on Form 6-K, filed with the Commission on June 17, 2013, which contains Management's Discussion and Analysis of Financial Condition and Results of Operations and our unaudited condensed consolidated interim financial statements as of and for the three-months ended March 31, 2013;

Current report on Form 6-K, filed with the Commission on May 29, 2013, which contains a press release announcing that we have entered into agreements for the construction of four 8,700 TEU newbuilding container vessels; and

Annual report on Form 20-F for the year ended December 31, 2012, filed with the Commission on April 17, 2013, which contains audited consolidated financial statements for the most recent fiscal year for which those statements have been filed.

We are also incorporating by reference all subsequent annual reports on Form 20-F that we file with the Commission and current reports on Form 6-K that we furnish to the Commission after the date of this prospectus supplement that state they are incorporated by reference into this prospectus supplement until we file a post-effective amendment indicating that the offering of the securities made by this prospectus has been terminated. In all cases, you should rely on the later information over different information included in this prospectus or prospectus supplement.

We will provide without charge to each person to whom this prospectus is delivered a copy of any or all of the foregoing documents, and any other documents that are incorporated herein by reference (other than exhibits, unless those exhibits are specifically incorporated by reference into those documents) upon written or oral request. Requests for those documents should be directed to our principal executive office at the following address:

Ship Finance International Limited

Par la Ville Place, 4th Floor 14 Par la Ville Road Hamilton HM 08, Bermuda Tel: 1 800-715-6374 Email: ir@shipfinance.no Attn: Investor Relations

ENFORCEMENT OF CIVIL LIABILITIES

We are a Bermuda exempted company and our executive offices are located outside of the United States in Hamilton, Bermuda. A majority of our directors, officers and the experts named in the prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

Furthermore, there is uncertainty as to whether the courts of Bermuda would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus supplement, the accompanying prospectus and the documents that we have filed with the Commission that are incorporated by reference in this prospectus supplement may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include, but are not limited to, statements concerning plans, objectives, goals, strategies, future events or performance, underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement pursuant to this safe harbor legislation. This prospectus supplement and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words believe, anticipate, intend, estimate, forecast, project, plan, potential, may, should, expect and similar expressions are used to identify forward-looking statements.

The forward-looking statements in this prospectus supplement, the accompanying prospectus and the documents that we have filed with the Commission that are incorporated by reference in this prospectus supplement are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, 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;

our ability to generate cash to service our indebtedness;

our ability to continue to satisfy our financial and other covenants, or obtain waivers relating to such covenants from our lenders, under our credit facilities;

our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

our dependence on our charterers, including the Seadrill Charterers and the Frontline Charterers, for operating cash flows;

our counterparties' ability or willingness to honor their obligations under agreements with us;

fluctuations in currencies and interest rates;

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general market conditions including fluctuations in charterhire rates and vessel values;

changes in supply and generally the number, size and form of providers of goods and services in the markets in which we operate;

changes in demand in the markets in which we operate;

changes in demand resulting from changes in the Organization of the Petroleum Exporting Countries petroleum production levels and world-wide oil consumption and storage;

developments regarding the technologies relating to oil exploration;

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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;

the imposition of sanctions by the Office of Foreign Assets Control of the Department of the U.S. Treasury or pursuant to other applicable laws or regulations against us or any of our subsidiaries;

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;

piracy or political events; and

other important factors described under the heading "Risk Factors" in this prospectus supplement, in the accompanying prospectus and in our annual report on Form 20-F for the year ended December 31, 2012, as well as those described from time to time in the reports filed by us with the Commission.

This prospectus supplement may contain assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. We may also from time to time make forward-looking statements in our periodic reports that we will file with the Commission, in other information sent to our security holders, and in other written materials. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

We undertake no obligation to publicly update or revise any forward-looking statement contained in this prospectus supplement, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement might not occur, and our actual results could differ materially from those anticipated in these forward-looking statements.

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority, or the BMA, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA in its policy dated June 1, 2005 provides that where any equity securities, including our common shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident of Bermuda, for as long as any equities securities of such company remain so listed. The New York Stock Exchange is deemed to be an appointed stock exchange under Bermuda law. This prospectus supplement and the accompanying prospectus may be filed with the Registrar of Companies in Bermuda in accordance with the provisions of Part III of the Companies Act 1981 of Bermuda. In granting such permission and accepting this prospectus supplement and the accompanying prospectus for filing, neither the BMA nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus supplement and the accompanying prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes some of the information that is contained later in this prospectus supplement, the accompanying prospectus or in other documents incorporated by reference into this prospectus supplement. As an investor or prospective investor in the common shares, you should review carefully the risk factors and the more detailed information that appear later in this prospectus supplement, the accompanying prospectus, any free writing prospectus that may be provided to you in connection with the offering of the common shares or that are contained in the documents that we incorporate by reference into this prospectus supplement.

Unless otherwise indicated or if the context otherwise requires, as used in this prospectus supplement, the terms we, our, us, and the Company refer to Ship Finance International Limited and all of its subsidiaries.

We use the term deadweight, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. We use the term twenty-foot equivalent units, or TEU, in describing container vessels to refer to the number of standard twenty foot containers that the vessel can carry.

SHIP FINANCE INTERNATIONAL LIMITED

We are a global international ship-owning company with one of the largest and most diverse asset bases across the maritime and offshore industries. As of June 17, 2013, we own or operate 61 vessels and drilling units across the tanker, drybulk, car carrier, container and offshore sectors. In the tanker and drybulk sectors we own and operate 24 double-hull crude-oil tankers, 12 drybulk carriers and two chemical tankers. In the container and car-carrier sectors we own and operate nine container vessels and two car carriers; we also charter-in two container vessels. In the offshore sector we own and operate six offshore supply vessels, one jack-up drilling rig and three ultra-deepwater drilling units.

In addition to our operating fleet, we have entered into agreements for the construction of four 4,800 TEU container vessels that are scheduled to be delivered to us in 2013 and in 2014, and four 8,700 TEU newbuilding container vessels that are scheduled to be delivered to us in 2014 and 2015.

Apart from seven container vessels and four drybulk vessels on short-term charters, the vessels in our fleet, including four of our newbuildings, have charters attached to them, which are generally contracted to expire between two and 14 years from now. These existing charters provide us with significant and stable base cash flows and high asset utilization, subject to the full performance of the obligations of our counterparties under their agreements with us. The fixed-rate charter backlog as of March 31, 2013 and adjusted for subsequent charter cancellations was approximately \$5.1 billion, with an average remaining charter term of 6.6 years, or 9.8 years if weighted by charter revenue. Some of our charters include purchase options on behalf of the charterer, which if exercised would reduce our remaining charter coverage and contracted cash flow. The amount of actual revenues earned and the actual periods during which revenues are earned may be different from the backlog projections due to various factors including, off-hire caused by unscheduled repairs, maintenance and other factors.

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The following table sets forth summary information regarding our fleet as of June 17, 2013. All of our very large crude carriers, or VLCCs, Suezmaxes and chemical tankers are double-hull vessels.

Vessel	Approximate		Flag	Lease Classification	Charter Termination Date
	Built	Dwt.			
VLCCs					
Front Century	1998	311,000	MI	Capital lease	2021
Front Champion	1998	311,000	BA	Capital lease	2022
Front Vanguard	1998	300,000	MI	Capital lease	2021
Front Circassia	1999	306,000	MI	Capital lease	2021
Front Opalia	1999	302,000	MI	Capital lease	2022
Front Comanche	1999	300,000	LIB	Capital lease	2022
Golden Victory	1999	300,000	MI	Capital lease	2022
Front Commerce	1999	300,000	LIB	Capital lease	2022
Front Scilla	2000	303,000	MI	Capital lease	2023
Front Ariake	2001	299,000	BA	Capital lease	2023
Front Serenade	2002	299,000	LIB	Capital lease	2024
Front Hakata	2002	298,000	BA	Capital lease	2025
Front Stratus	2002	299,000	LIB	Capital lease	2025
Front Falcon	2002	309,000	BA	Capital lease	2025
Front Page	2002	299,000	LIB	Capital lease	2025
Front Energy	2004	305,000	CYP	Capital lease	2027
Front Force	2004	305,000	MI	Capital lease	2027
Suezmaxes					
Front Glory	1995	150,000	MI	Capital lease	2018
Front Splendour	1995	150,000	MI	Capital lease	2019
Front Ardenne	1997	153,000	MI	Capital lease	2020
Front Brabant	1998	153,000	MI	Capital lease	2021
Mindanao	1998	159,000	SG	Capital lease	2021
Glorycrown	2009	156,000	MI	Capital lease	2014 ⁽¹⁾
Everbright	2010	156,000	HK	Capital lease	2015 ⁽¹⁾
Chemical Tankers					
Maria Victoria V	2008	17,000	PAN	Operating lease	2018 ⁽¹⁾
SC Guangzhou	2008	17,000	PAN	Operating lease	2018 ⁽¹⁾
Handysize Drybulk Carriers					
SFL Spey	2011	34,000	HK	Operating lease	2014 ⁽⁶⁾
SFL Medway	2011	34,000	HK	Operating lease	2013 ⁽⁶⁾
SFL Trent	2012	34,000	HK	Operating lease	2014 ⁽⁶⁾
SFL Kent	2012	34,000	HK	Operating lease	2013 ⁽⁶⁾
Western Australia	2012	32,000	HK	Operating lease	2015
Western Copenhagen	2013	32,000	HK	Operating lease	2016
Western Houston	2012	32,000	HK	Operating lease	2015
Supramax Drybulk Carriers					
SFL Hudson	2009	57,000	MI	Operating lease	2020
SFL Yukon	2010	57,000	HK	Operating lease	2018
SFL Sara	2011	57,000	HK	Operating lease	2019
SFL Kate	2011	57,000	HK	Operating lease	2021
SFL Humber	2012	57,000	HK	Operating lease	2022

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Vessel	Built	Dwt.	Flag	Lease Classification	Charter Termination Date
Container Vessels					
SFL Europa	2003	1,700 TEU	MI	Operating lease	2013 ⁽⁶⁾
Heung-A Green (ex Asian Ace)	2005	1,700 TEU	MAL	Operating lease	2020 ⁽¹⁾
Green Ace	2005	1,700 TEU	MAL	Operating lease	2020 ⁽¹⁾
SFL Hunter	2006	2,800 TEU	MI	Operating lease	2013 ⁽⁶⁾
SFL Hawk	2007	2,800 TEU	MI	Operating lease	2013 ⁽⁶⁾
SFL Falcon	2007	2,800 TEU	MI	Operating lease	2013 ⁽⁶⁾
SFL Eagle	2007	2,800 TEU	MI	Operating lease	2013 ⁽⁶⁾
SFL Tiger	2006	2,800 TEU	MI	Operating lease	2013 ⁽⁶⁾
SFL Avon	2010	1,700 TEU	MI	Operating lease	2013 ⁽⁶⁾
CMA CGM Magellan ⁽²⁾	2010	13,800 TEU	UK	Operating lease	2026
CMA CGM Corte Real ⁽²⁾	2010	13,800 TEU	UK	Operating lease	2026
TBN/ Cap Salinas(NB)	2013	4,800 TEU	n/a	n/a	2020 ⁽⁵⁾
TBN/ Cap Saray (NB)	2013	4,800 TEU	n/a	n/a	2020 ⁽⁵⁾
TBN/ Cap Serrat (NB)	2013	4,800 TEU	n/a	n/a	2020 ⁽⁵⁾
TBN/ Cap Sorell (NB)	2014	4,800 TEU	n/a	n/a	2021 ⁽⁵⁾
TBN/NB	2014/15	8,700 TEU	n/a	n/a	n/a
TBN/NB	2014/15	8,700 TEU	n/a	n/a	n/a
TBN/NB	2014/15	8,700 TEU	n/a	n/a	n/a
TBN/NB	2014/15	8,700 TEU	n/a	n/a	n/a
Car Carriers					
Glovis Composer	2005	6,500 CEU	HK	Operating lease	2017
Glovis Conductor	2006	6,500 CEU	PAN	Operating lease	2017
Jack-Up Drilling Rigs					
Soehanah	2007	375 ft	PAN	Operating lease	2018 ⁽¹⁾
Ultra-Deepwater Drill Units					
West Polaris	2008	10,000 ft	PAN	Capital lease	2023 ⁽¹⁾
West Hercules	2008	10,000 ft	PAN	Capital lease	2023 ⁽¹⁾
West Taurus	2008	10,000 ft	PAN	Capital lease	2023 ⁽¹⁾
Offshore Supply Vessels					
Sea Leopard	1998	AHTS ⁽³⁾	CYP	Capital lease	2020 ⁽¹⁾
Sea Bear	1999	AHTS ⁽³⁾	CYP	Capital lease	2020 ⁽¹⁾
Sea Cheetah	2007	AHTS ⁽³⁾	CYP	Operating lease	2019 ⁽¹⁾
Sea Jaguar	2007	AHTS ⁽³⁾	CYP	Operating lease	2019 ⁽¹⁾
Sea Halibut	2007	PSV ⁽⁴⁾	CYP	Operating lease	2019 ⁽¹⁾
Sea Pike	2007	PSV ⁽⁴⁾	CYP	Operating lease	2019 ⁽¹⁾

NB: Newbuilding.

Key to Flags: BA Bahamas, CYP Cyprus, MAL Malta, HK Hong Kong, LIB Liberia, MI Marshall Islands, PAN Panama, SG Singapore, UK United Kingdom.

Notes:

- (1) Charterer has purchase options during the term of the charter.
- (2) Vessel chartered in.
- (3) Anchor handling tug supply vessel (AHTS).
- (4) Platform supply vessel (PSV).
- (5) Charter has been agreed.

- (6) Currently employed on a short-term charter or in the spot market.

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Our primary objective is to continue to grow our business through accretive acquisitions across a diverse range of marine and offshore asset classes. In doing so, our strategy is to expand and diversify our customer base and generate stable and increasing cash flows by chartering our assets primarily under medium to long-term bareboat or time charters.

We have declared dividends for 37 consecutive quarters including a dividend of \$0.39 per share which will be paid on June 28, 2013 to holders of record of our common shares on June 21, 2013. For the years ended December 31, 2009, 2010, 2011 and 2012, we paid aggregate dividends in cash and in kind to our shareholders in the amounts of \$111.1 million (\$1.50 per share), \$129.5 million (\$1.64 per share), \$122.6 million (\$1.55 per share) and \$152.0 million (\$1.86 per share), respectively.

Our ability to pay dividends is always subject to the discretion of our board of directors, the requirements of Bermuda law and the limitations contained in our bond and debt facilities. See **Risk Factors** beginning on page S-9.

RECENT AND OTHER DEVELOPMENTS

In May 2013, the Company entered into contracts for the construction of four new 8,700 TEU container vessels at Daewoo Shipbuilding & Marine Engineering Co. Ltd. in South Korea for a total contract price of approximately \$340 million, which are scheduled to be delivered to us in 2014 and 2015.

In May 2013, the Company entered into a six year \$375 million term loan and revolving credit facility agreement for the refinancing of the ultra deepwater drilling rig *West Hercules*. The new facility is expected to be drawn in June 2013.

In June 2013, Frontline Ltd., or Frontline, one of our significant customers, filed with the Commission a prospectus supplement in connection with its equity offering of up to \$40.0 million where Frontline stated that based on charter rates achieved so far in the second quarter of 2013, increased dry docking costs in the second quarter of 2013 and the current outlook, Frontline expects its operating results in the second quarter of 2013 to be weaker than in the first quarter of 2013 and Frontline expects its cash position to fall further in the second quarter of 2013. Frontline is of the opinion that the tanker market is massively oversupplied today and that it may take some time before a reasonable market balance is restored and sustained recovery of the tanker market occurs. Frontline believes that such a market balance and sustained recovery of the tanker market will be dependent on the extent of phase out of existing tonnage as well as global growth conditions. In view of these statements, and as stated during our quarterly earnings call on May 30, 2013, if Frontline were unable to meet its commercial obligations to us, we believe we would be able to trade our vessels currently chartered to Frontline in the market at what we believe are low break even rates and we would retain 100% of the chartering revenues.

CORPORATE INFORMATION

We are a holding company incorporated under the laws of Bermuda. We operate through our vessel owning and other subsidiaries incorporated in Bermuda, Liberia, Norway, Cyprus, Singapore, Malta, the Marshall Islands and the United Kingdom. Our principal executive offices are located at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda, and our telephone number is +1 (441) 295-9500. We maintain an internet site at <http://www.shipfinance.org>. The information contained at our internet site is not incorporated by reference in this prospectus supplement or the accompanying prospectus, and you should not consider it a part of this prospectus supplement or the accompanying prospectus.

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The information above concerning us is only a summary and does not purport to be comprehensive. For additional information about us, you should refer to the information described in "Where You Can Find More Information" in this prospectus supplement.

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THE OFFERING

Issuer	Ship Finance International Limited.
Common shares presently outstanding	85,260,000 common shares.
Common shares to be offered	8,000,000 common shares.
Common shares to be outstanding immediately after this offering	93,260,000 common shares.
Use of proceeds	<p>We expect the net proceeds from this offering to be approximately \$128.7 million, after deducting underwriting discounts and commissions and our estimated expenses of this offering, of approximately \$475,000.</p> <p>We intend to use the net proceeds from this offering to invest in new assets within the shipping and offshore sectors and for general corporate purposes and working capital.</p> <p>We refer you to the section of this prospectus supplement entitled Use of Proceeds.</p>
Dividend policy	<p>Our board of directors adopted a policy in May 2004 in connection with our public listing, whereby we seek to pay a regular quarterly dividend, the amount of which is based on our contracted revenues and growth prospects. Our goal is to increase our quarterly dividend as we grow the business, but the timing and amount of dividends, if any, is at the sole discretion of our board of directors and will depend upon our operating results, financial condition, cash requirements, restrictions in terms of financing arrangements and other relevant factors subject to Bermuda law. Under Bermuda law, a company's board of directors may not declare or pay dividends from time to time if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. There are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in or out of Bermuda or to pay dividends to U.S. investors who are holders of our common shares.</p> <p>For the years ended December 31, 2009, 2010, 2011 and 2012, we paid aggregate dividends in cash and in kind to our shareholders in the amounts of \$111.1 million (\$1.50 per share), \$129.5 million (\$1.64 per share), \$122.6 million (\$1.55 per share) and \$152.0 million (\$1.86 per share), respectively.</p>

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We have declared dividends for 37 consecutive quarters including a dividend of \$0.39 per share which will be paid on June 28, 2013 to holders of record of our common shares on June 21, 2013. Please see **Risk Factors** Changes in our dividend policy could adversely affect holders of our common shares.

Risk factors

You should carefully consider all of the information that is contained in or incorporated by reference into this prospectus and, in particular, you should evaluate the risks set forth under **Risk Factors** on page S-9 of this prospectus supplement before deciding to invest in the common shares.

Important tax considerations

We may be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. If we are treated as a PFIC for any taxable year, we will inform investors of our status and we will provide investors with the information necessary to make and maintain a qualified electing fund, or QEF, election. Prospective U.S. Holders should consult with their tax advisors as to the consequences of our being a PFIC for any taxable year, including whether or not to make a QEF election, and should carefully review the information set forth under **Item 10. Additional Information E. Taxation U.S. Taxation** included in our annual report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein.

Listing

Our common shares are listed for trading on the New York Stock Exchange under the symbol **SFL**.

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The following table provides our consolidated financial data as of the dates and for the periods shown. Our summary consolidated statements of operations data for the years ended December 31, 2010, 2011 and 2012 are derived from our audited consolidated financial statements incorporated by reference herein, which have been audited by MSPC, Certified Public Accountants and Advisors, A Professional Corporation, or MSPC, our independent registered public accounting firm, as indicated in their report incorporated by reference herein. Our summary consolidated financial data presented below as of and for March 31, 2012 and 2013 have been prepared on the same basis as our audited consolidated financial statements, are derived from our unaudited, consolidated financial statements incorporated by reference herein and, in the opinion of management, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation thereof. Our interim results are not necessarily indicative of our results for the entire year or for any future periods. The summary financial data set forth below should be read in conjunction with, and are qualified in their entirety by reference to, our audited and unaudited consolidated financial statements, including the related notes thereto, incorporated by reference herein, Selected Consolidated Financial Information, and our Management's Discussion and Analysis of Financial Condition And Results Of Operations included in our current report on Form 6-K filed with the Commission on June 17, 2013 and Item 5. Operating and Financial Review and Prospects included in our annual report on Form 20-F for the year ended December 31, 2012, which are incorporated by reference herein.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
(In thousands of U.S. dollars)					
Income statement data:					
Total operating revenues	\$ 308,060	\$ 295,114	\$ 319,692	\$ 84,120	\$ 65,087
Gain on sale of assets	28,104	8,468	47,386	2,222	18,025
Total operating expenses	124,319	140,877	159,458	38,122	39,331
Net operating income	211,845	162,705	207,620	48,220	43,781
Net income before equity in earnings of associated companies	\$ 115,299	\$ 80,273	\$ 142,344	\$ 27,511	\$ 23,866
Equity in earnings of associated companies	50,413	50,902	43,492	11,441	8,512
Net income	\$ 165,712	\$ 131,175	\$ 185,836	\$ 38,952	\$ 32,378
Balance sheet data (at end of period):					
Cash and cash equivalents	\$ 86,967	\$ 94,915	\$ 60,542	\$ 111,586	\$ 64,820
Total assets	2,882,361	2,896,128	2,973,089	2,938,692	2,889,565
Total liabilities	2,053,441	2,039,037	1,978,321	2,052,131	1,827,636
Short and long term debt (including current portion)	1,922,854	1,910,464	1,831,200	1,914,889	1,696,091
Total equity	828,920	857,091	994,768	886,561	1,061,929
Cash flow data:					
Net cash provided by operating activities	153,771	163,661	86,570	30,288	68,000
Net cash provided by/(used in) investing activities	76,977	(5,862)	34,309	10,639	70,317
Net cash used in financing activities	(227,967)	(149,851)	(155,252)	(24,256)	(134,039)
Other financial data:					
EBITDA Consolidated(1)	399,663	352,345	321,268	86,416	63,675
EBITDA Group(2)	714,410	670,145	585,430	154,106	121,609
Total Debt Consolidated (at end of period)	1,922,854	1,910,464	1,831,200	1,914,889	1,696,091
Total Debt Group(2) (at end of period)	3,669,379	3,319,589	3,050,575	3,275,722	2,902,174

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- (1) We define EBITDA Consolidated as net income before depreciation, interest expense, net, other financial items, net, certain significant non-cash charges for (i) impairment of assets, (ii) gains from sale of assets and termination of charters, (iii) net gains/losses from the repurchase of our 8.5% Senior Notes due 2013 and our NOK 500 million Senior Unsecured Bonds due 2014, and (iv) the mark-to-market of certain derivative contracts, and the repayments from investments in direct financing and sales-type leases, net of any upfront payments, as applicable.
- (2) We have three ultra-deepwater drilling units and two container vessels owned by four wholly-owned subsidiaries which are accounted for under the equity method and therefore not consolidated in our financial statements. We define EBITDA Group as EBITDA Consolidated before equity in earnings of associated companies and adjusted for (i) the total operating revenues, (ii) repayments from investments in direct financing and sales-type leases and (iii) vessel operating expenses at our subsidiaries that are accounted for under the equity method. We record our investments in equity-method investees on the consolidated balance sheets as Investment in associated companies. These subsidiaries have significant amount of indebtedness which because of the aforementioned accounting treatment does not show up in our balance sheets. Total Debt Group includes indebtedness of our unconsolidated subsidiaries. Total Debt Group, as further adjusted, is derived by adding Total Debt Consolidated, as further adjusted, plus approximately \$1.2 billion of indebtedness, as of March 31, 2013, of our unconsolidated subsidiaries.

	Years Ended December 31,			Three Months Ended	
	2010	2011	2012	March 31,	2013
(In thousands of U.S. dollars)					
Reconciliation of net income to EBITDA Consolidated and EBITDA Group:					
Net income	\$ 165,712	\$ 131,175	185,836	38,952	32,378
Depreciation	34,201	49,929	55,602	14,261	14,033
Interest expense, net	80,325	79,978	67,677	18,080	15,831
Other financial items, net	(2,676)	1,034	5,273	(108)	2,640
Long-term investment impairment charge			3,353	2,890	0
Gain on sale of assets and termination of charters	(28,103)	(8,468)	(47,386)	(2,222)	(18,025)
Gain on sale of associate		(4,064)			
Net (gain)/loss on repurchase of 8.5% Senior Notes due 2013 and NOK bonds	13	(521)	122	(80)	1,109
Mark to market of derivatives	14,733	4,408	(7,780)	(855)	1,978
Repayments from investments in direct financing and sales-type leases	175,958	98,874	58,571	15,498	13,731
Less: upfront payments on certain charters	(40,500)				
EBITDA Consolidated	\$ 399,663	\$ 352,345	\$ 321,268	86,416	63,675
Less: equity in earnings of associated companies	(50,413)	(50,902)	(43,492)	(11,441)	(8,512)
Total operating revenues Associates	137,348	155,514	146,263	38,493	32,149
Repayments from investments in direct financing and sales-type leases Associates	228,001	238,388	196,220	49,246	42,787
Vessel operating expenses Associates	(189)	(25,200)	(34,829)	(8,608)	(8,490)
EBITDA Group	\$ 714,410	\$ 670,145	\$ 585,430	\$ 154,106	\$ 121,609
Reconciliation of Total Debt Consolidated to Total Debt Group (at end of period):					
Total Debt Consolidated	1,922,854	1,910,464	1,831,200	1,914,889	1,696,091
Total Debt Associates	1,746,525	1,409,125	1,219,375	1,360,833	1,206,083
Total Debt Group	3,669,379	3,319,589	3,050,575	3,275,722	2,902,174

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RISK FACTORS

An investment in our common shares involves a high degree of risk, including the risks we face described in the accompanying prospectus and the documents incorporated by reference herein. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face described in the accompanying prospectus and the documents incorporated by reference herein.

*This prospectus supplement does not describe all of the risks of an investment in the common shares. You should consult your own financial and legal advisors about the risks entailed by an investment in the common shares and the suitability of your investment in the common shares in light of your particular circumstances. Before you decide to invest in our securities, you should carefully consider the risks and the discussion of risks under the heading *Risk Factors* in the accompanying prospectus and in our annual report for the year ended December 31, 2012 on Form 20-F, filed with the Commission on April 17, 2013. In addition, you should carefully consider the risk set forth below, as well as other information included in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference in this prospectus supplement that summarize the risks that may materially affect our business. Please refer to the section entitled *Where You Can Find Additional Information* in this prospectus supplement and in the accompanying prospectus for discussions of these other filings.*

We may use the net proceeds of this offering for purposes with which you do not agree.

We intend to use the net proceeds from this offering to invest in new assets within the shipping and offshore sectors and for general corporate purposes and working capital. To the extent that we are not able to acquire such assets on terms that are acceptable to us or at all, we may use the net proceeds for other purposes. It may take a substantial period of time before we can identify and purchase suitable assets, and during this period the net proceeds of this offering may be invested on a short term basis and therefore may not yield returns comparable to those that additional assets may have earned. Please see *Use of Proceeds*.

In the event the shipyards do not perform under their agreements with us for the construction of our Newbuilding Vessels and we are unable to enforce certain refund guarantees, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows.

Currently, we have newbuilding contracts with a state-owned Chinese shipyard for the construction of four 4,800 TEU container vessels, which are scheduled to be delivered to us in 2013 and 2014. We also entered into contracts to build four new 8,700 TEU container vessels at DSME in South Korea for a total contract price of approximately \$340 million, which are scheduled to be delivered to us in 2014 and 2015. We intend to arrange bank financing for the newbuildings currently under construction at DSME and estimate our equity investment to be up to approximately \$100 million in aggregate for the four vessels. As of June 17, 2013, we have made total yard payments in the amount of approximately \$103 million and we have remaining yard installments in the amount of approximately \$467 million.

We depend on our charterers, including the Seadrill Charterers and the Frontline Charterers, which are companies related to us, for our operating cash flows and for our ability to pay dividends to our shareholders.

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We have chartered three of our drilling units to three subsidiaries of Seadrill Limited, or Seadrill, namely Seadrill Deepwater Charterer Ltd., Seadrill Offshore AS, and Seadrill Polaris Ltd., which we refer to collectively as the Seadrill Charterers. In addition, most of the tanker vessels in our fleet are chartered to subsidiaries of Frontline namely Frontline Shipping Ltd. and Frontline Shipping II Ltd., which we refer to collectively as the Frontline Charterers. Our other vessels that have charters attached to them are chartered to other customers under medium to long-term time and bareboat charters.

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The charter hire payments that we receive from our customers constitute substantially all of our operating cash flows. The Frontline Charterers have no business or sources of funds other than those related to the chartering of our tanker fleet to third parties.

In December 2011, our charter agreements with the Frontline Charterers, which all remain wholly-owned subsidiaries of Frontline, were amended and we agreed to temporarily reduce the charter rates payable on our double-hull tankers by \$6,500 per day per vessel from 2012 through 2015, subject to the cash sweep arrangement described in the immediately following risk factor. As part of the amendments, we received compensation payments from Frontline in the amount of \$106 million in cash. Frontline continues to guarantee the payment of charterhire with respect to the Frontline Charterers. The amendments to the charter agreements were the result of an extended period of substantial weakness in the tanker market. In a recent press release, Frontline indicated that, if the tanker market does not recover in the short term and no additional equity can be raised or assets sold, there is a risk that Frontline will have insufficient cash to satisfy liquidity requirements and to repay the existing \$225 million convertible bond loan at maturity in April 2015. Such a situation may force a restructuring of Frontline including modifications of charter lease obligations and debt agreements. Such a situation may result in further modifications of our charter agreements with Frontline.

Although there are restrictions on the Frontline Charterers' rights to use their cash to pay dividends or make other distributions, at any given time their available cash may be diminished or exhausted, and they may be unable to make charterhire payments to us without support from Frontline. The performance under the charters with the Seadrill Charterers is guaranteed by Seadrill Limited. If the Seadrill Charterers, the Frontline Charterers or any of our other charterers are unable to make charterhire payments to us, our results of operations and financial condition will be materially adversely affected and we may not have cash available to pay debt service or for distributions to our shareholders.

The amount of the profit sharing payment we receive under our charters with the Frontline Charterers, if any, and our ability to pay our ordinary quarterly dividend, may depend on prevailing spot market rates, which are volatile.

Most of our tanker vessels operate under time charters to the Frontline Charterers. These charter contracts provide for base charterhire and additional profit sharing payments when the Frontline Charterers' earnings from deploying our vessels exceed certain levels. The majority of our vessels chartered to the Frontline Charterers are sub-chartered by the Frontline Charterers in the spot market, which is subject to greater volatility than the long-term time charter market, and the amount of future profit sharing payments that we receive, if any, will be primarily dependent on the strength of the spot market.

Prior to December 31, 2011, the Frontline Charterers paid us a profit sharing rate of 20% of their earnings above average threshold charter rates on a time-charter equivalent basis from their use of our fleet each fiscal year. The amendments to the charter agreements with the Frontline Charterers described in the preceding risk factor increased the profit sharing percentage to 25% for earnings above the threshold levels effective as of January 1, 2012. The amendments also provided for a temporary reduction in charter rates for a four year period. During that period, the Frontline Charterers are obligated pay us 100% of any earnings on a time-charter equivalent basis above the temporarily reduced time charter rates, subject to a maximum of \$6,500 per day, or the cash sweep amounts. As described above, we received a compensation payment of \$106 million, of which \$50 million represented a non-refundable advance relating to the 25% profit sharing agreement. For the year ended December 31, 2012, we recorded \$52.2 million in accumulated cash sweep amounts. As stated during our quarterly earnings call on May 30, 2013, since the crude oil tanker market has continued at a low level into the second quarter of 2013, we do not expect to receive any material cash sweep contribution from Frontline for the remainder of 2013. There was no accumulated profit share for the year ended December 31, 2012. Following the prepayment by Frontline of \$50 million of profit share in 2011, an additional \$50 million of profit share will need to accumulate before we recognize profit share revenues in our consolidated accounts.

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We cannot assure you that we will receive any profit sharing payments for any periods in the future. Furthermore, our future quarterly dividend may depend on us receiving profit sharing payments or require that we continue to expand our fleet, so that in either case we receive cash flows in addition to the cash flows we receive from our base charterhire from the Frontline Charterers and charter payments from other customers. As a result, we cannot assure you that we will continue to pay quarterly dividends.

Changes in our dividend policy could adversely affect holders of our common shares.

Any dividend that we declare is at the discretion of our board of directors and subject to the requirements of Bermuda law. We cannot assure you that our dividend will not be reduced or eliminated in the future. Our profitability and corresponding ability to pay dividends is substantially affected by amounts we receive through charter hire and profit sharing payments from our charterers. Our entitlement to profit sharing payments, if any, is based on the financial performance of our vessels which is outside of our control. If our charter hire and profit sharing payments decrease substantially, we may not be able to continue to pay dividends at present levels, or at all. We are also subject to contractual limitations on our ability to pay dividends pursuant to certain debt agreements, and we may agree to additional limitations in the future. Additional factors that could affect our ability to pay dividends include statutory and contractual limitations on the ability of our subsidiaries to pay dividends to us, including under current or future debt arrangements.

The container shipping industry is cyclical and volatile and the persistent global economic recession has resulted in decreased demand for container shipping, which, together with an over-supply of container vessel capacity, may negatively impact any future container vessel operations we may have.

As of the date of this prospectus, there are seven container vessels currently employed on short-term time charters. We also have contracts for the construction of four 4,800 TEU newbuilding container vessels that are scheduled to commence seven year time charters upon their delivery to us, which is expected in 2013 and in 2014, and we entered into agreements for the construction of four 8,700 TEU container vessels which are expected to be delivered to us in 2014 and 2015. The persistent global economic slowdown may result in decreased demand for container shipping and a related decrease in charter rates.

The ocean-going container shipping industry is both cyclical and volatile in terms of charter hire rates and profitability. Container vessel charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the economic crisis began to affect global container trade. Containership charter rates declined substantially in 2011 and 2012 primarily as a result of excess capacity on the key east-west routes, the reluctance of liners to cull services in the first six months of the year and a fight for market share between certain liner companies. Freight rates and charter rates stabilized somewhat in the second half of 2012, particularly for larger vessel sizes, but in early 2013 they remain significantly below their historical averages. Fluctuations in charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products internationally transported by container vessels. The container vessels market is typically stronger in the spring and autumn in anticipation of increased consumption of consumer products during the holiday and peak seasons. The factors affecting the supply and demand for container vessels and supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Our ability to employ our container vessels will depend upon, among other things, the prevailing state of the container vessel market when the vessels are available for employment, which can be affected by consumer demand for products shipped in containers. If the container vessel market is in a period of sustained depression when we take delivery of the container vessels, we may be unable to operate the vessels profitably.

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The size of the container vessel orderbook is large relative to historical levels and will result in the increase in the size of the world container vessel fleet over the next few years. An over-supply of container vessel capacity, particularly in conjunction with a reduced level of demand for container shipping, may result in a further reduction of charter rates.

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Charterhire rates for drybulk carriers are volatile and may further decrease in the future, which may adversely affect our earnings and ability to pay dividends.

We currently own and operate a fleet of 12 drybulk carriers consisting of five Supramax drybulk carriers and seven Handysize drybulk carriers. This downturn in drybulk charter rates and their volatility, which has resulted from the economic dislocation worldwide and the disruption of the credit markets, have had a number of adverse consequences for drybulk shipping, including, among other things, an absence of financing for vessels; a less active second-hand market for the sale of vessels; low charter rates, particularly for vessels employed in the spot market; widespread loan covenant defaults in the drybulk shipping industry; and declaration of bankruptcy by some operators and shipowners as well as charterers.

The occurrence of one or more of these events could adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. There can be no assurance that the drybulk charter market will recover over the next several months and the market could continue to decline further.

If the drybulk shipping market remains depressed in the future, our earnings and available cash flow may decrease. Our ability to re-charter our vessels on the expiration or termination of their current time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the drybulk shipping market.

Volatility in the international shipping and offshore markets may cause our customers to be unable to pay charterhire to us.

Our customers, including Frontline, are subject to volatility in the shipping and offshore markets that affects their ability to operate the vessels and drilling units they charter from us at a profit. Our customers' successful operation of our vessels and drilling units in the charter market will depend on, among other things, their ability to obtain profitable charters. We cannot assure you that future charters will be available to our customers at rates sufficient to enable them to meet their obligations to make charterhire payments to us. As a result, our revenues and results of operations may be adversely affected. These factors include:

global and regional economic and political conditions;

supply and demand for oil and refined petroleum products, which is affected by, among other things, competition from alternative sources of energy;

supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;

developments in international trade;

changes in seaborne and other transportation patterns, including changes in the distances that cargoes are transported;

environmental concerns and regulations;

weather;

the number of newbuilding deliveries;

the phase-out of non-double hull tankers from certain markets pursuant to national and international laws and regulations;

the scrapping rate of older vessels; and

changes in production of crude oil, particularly by OPEC and other key producers.

Tanker charter rates also tend to be subject to seasonal variations, with demand (and therefore charter rates) normally higher in winter months in the northern hemisphere.

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The market values of our vessels and drilling units may decrease, which could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future credit facilities and we may incur a loss if we sell vessels or drilling units following a decline in their market value. This could affect future dividend payments.

During the period a vessel or drilling unit is subject to a charter, we will not be permitted to sell it to take advantage of increases in vessel or drilling unit values without the charterers' agreement. Conversely, if the charterers were to default under the charters due to adverse market conditions, causing a termination of the charters, it is likely that the fair market value of our vessels would also be depressed.

The fair market values of our vessels and drilling units have generally experienced high volatility. According to shipbrokers, the market prices for secondhand drybulk carriers, for example, have decreased sharply from their historically high levels.

The fair market value of our vessels and drilling units may increase and decrease depending on a number of factors including, but not limited to, the prevailing level of charter rates and dayrates, general economic and market conditions affecting the international shipping and offshore drilling industries, types, sizes and ages of vessels and drilling units, supply and demand for vessels and drilling units, availability of or developments in other modes of transportation, competition from other shipping companies, cost of newbuildings, governmental or other regulations and technological advances.

In addition, as vessels and drilling units grow older, they generally decline in value. If the fair market value of our vessels and drilling units declines, we or our subsidiaries may not be in compliance with certain provisions of our credit facilities and we may not be able to refinance our debt, obtain additional financing or make distributions to our shareholders and our subsidiaries may not be able to make distributions to us. The prepayment of certain credit facilities may be necessary to cause us to maintain compliance with certain covenants in the event that the value of our vessels or drilling units fall below certain levels.

Additionally, if we sell one or more of our vessels or drilling units at a time when vessel and drilling unit prices have fallen and before we have recorded an impairment adjustment to our consolidated financial statements, the sale price may be less than the vessel's or drilling unit's carrying value on our consolidated financial statements, resulting in a loss and a reduction in earnings. Furthermore, if vessel and drilling unit values fall significantly, we may have to record an impairment adjustment in our financial statements, which could adversely affect our financial results and condition.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

From time to time, we enter into, among other things, charter parties with our customers, newbuilding contracts with shipyards, credit facilities with banks, guarantees, interest rate swap agreements, currency swap agreements, total return bond swaps, and total return equity swaps. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates and dayrates received for specific types of vessels and drilling units, and various expenses. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel or drilling unit that is currently under charter or contract, or may be able to obtain a comparable vessel or drilling unit at a lower rate. As a result, charterers and customers may seek to renegotiate the terms of their existing charter parties and drilling contracts, or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Please see "Recent

and Other Developments.

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There is a risk that U.S. tax authorities could treat us as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. shareholders.

A foreign corporation will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of passive income or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income includes dividends, interest and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income, but income from bareboat charters does constitute passive income.

U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. Please see Item 10. Additional Information E. Taxation U.S. Taxation included in our annual report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein.

Based on the current fair market value of our assets, we may be a PFIC for the 2013 taxable year or a future taxable year. Furthermore, if our income from our time charters is considered to be passive rental income, rather than income from the performance of services, we will be considered to be a PFIC. We have received an opinion from Seward & Kissel LLP that it is more likely than not that our income from time charters will not be treated as passive rental income for purposes of determining whether we are a PFIC. Correspondingly, we believe that the assets that we own and operate in connection with the production of such income do not constitute passive assets for purposes of determining whether we are a PFIC. This position is principally based upon the positions that (1) our time charter income will constitute services income, rather than rental income and (2) Frontline Management (Bermuda) Ltd., a subsidiary of Frontline, or Frontline Management, which provides services to most of our time-chartered vessels, will be respected as a separate entity from the Frontline Charterers, with which it is related. Nevertheless, for the 2013 taxable year and future taxable years, depending upon the relative amounts of income we derive from our various assets as well as their relative fair market values, we may be treated as a PFIC, regardless of whether our income from our time charters is treated as passive or non-passive income.

We note that there is no direct legal authority under the PFIC rules addressing our current and expected method of operation. Accordingly, no assurance can be given that the Internal Revenue Service, or the IRS, or a court of law will accept our position, and there is a significant risk that the IRS or a court of law could determine that we are a PFIC. Furthermore, even if we would not be a PFIC under the foregoing tests, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations were to change. Depending upon the relative amount of income we derive from our various assets as well as their relative fair market values, we may be treated as a PFIC for any taxable year.

If we are treated as a PFIC for any taxable year, we will inform investors of our status and we will provide investors with the information necessary to make and maintain a qualified electing fund election (as discussed in more detail under Item 10. Additional Information E. Taxation U.S. Taxation included in our annual report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein). If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. federal income tax consequences. For example, U.S. non-corporate shareholders would not be eligible for the 15% maximum tax rate on dividends that we pay.

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We may have to pay tax on U.S. source income, which would reduce our earnings.

Under the U.S. Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We believe that we and each of our subsidiaries will, both before and after this offering, qualify for this statutory tax exemption and we intend take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, after this offering, Hemen Holding Ltd. and other related companies, or Hemen, is expected to own approximately 36.5% of our common shares. There is therefore a risk that we could no longer qualify for exemption under Section 883 of the Code for a particular taxable year if other shareholders with a five percent or greater interest in our common shares were, in combination with Hemen, to own 50% or more of our outstanding common shares on more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we, or our subsidiaries, are not entitled to exemption under Section 883 of the Code for any taxable year, we, or our subsidiaries, could be subject for those years to an effective 2% U.S. federal income tax on the gross shipping income these companies derive during the year that is attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

A change in interest rates could materially and adversely affect our financial performance.

As of March 31, 2013, we and our consolidated subsidiaries had approximately \$1.2 billion in floating rate debt outstanding under our credit facilities, and a further approximately \$1.2 billion in unconsolidated floating rate debt held by wholly-owned subsidiaries accounted for under the equity method. Although we use interest rate swaps to manage our interest rate exposure and have interest rate adjustment clauses in some of our chartering agreements, we are exposed to fluctuations in interest rates. For a portion of our floating rate debt, if interest rates rise, interest payments on our floating rate debt that have not been effectively swapped into fixed rates would increase.

As of March 31, 2013, we and our consolidated subsidiaries had entered into interest rate swaps to fix the base interest rate on approximately \$1.1 billion of our outstanding indebtedness at rates between 0.8% and 6.2%, and we have also entered into interest rate swaps to fix the interest on approximately \$0.4 billion of the outstanding indebtedness of our equity-accounted subsidiaries.

An increase in interest rates could cause us to incur additional costs associated with our debt service, which may materially and adversely affect our results of operations. Our maximum exposure to interest rate fluctuations on our outstanding debt at March 31, 2013, was approximately \$879 million, including our equity-accounted subsidiaries. A one percentage change in interest rates would at most increase or decrease interest expense by approximately \$88 million per year as of March 31, 2013. The maximum figure does not take into account that certain of our charter contracts include interest adjustment clauses, whereby the charter rate is adjusted to reflect the actual interest paid on a deemed outstanding debt related to the assets on charter. At March 31, 2013, approximately \$1.3 billion of our floating rate debt was subject to such interest adjustment clauses, including our equity-accounted subsidiaries. Of this amount, a total of approximately \$0.5 billion was subject to interest rate swaps and the balance of approximately \$823 million remained on a floating rate basis under such adjustment clauses, effectively decreasing our economical exposure to floating rate debt to approximately \$56 million.

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The interest rate swaps that have been entered into by us and our subsidiaries are derivative financial instruments that effectively translate floating rate debt into fixed rate debt. U.S. GAAP requires that these derivatives be valued at current market prices in our financial statements, with increases or decreases in valuations reflected in results of operations or, if the instrument is designated as a hedge, in other comprehensive income. Changes in interest rates give rise to changes in the valuations of interest rate swaps and could adversely affect results of operations and other comprehensive income.

We are highly leveraged and subject to restrictions in our financing agreements that impose constraints on our operating and financing flexibility.

We have significant indebtedness outstanding under our 3.25% convertible senior unsecured notes due 2018, our 3.75% convertible senior unsecured notes due 2016, our NOK500 million senior unsecured bonds due 2014 and our NOK600 million senior unsecured bonds due 2017. We have also entered into loan facilities that we have used to refinance existing indebtedness and to acquire additional vessels. We may need to refinance some or all of our indebtedness on maturity of our bonds or loan facilities and to acquire additional vessels in the future. We cannot assure you that we will be able to do so on terms acceptable to us or at all. If we cannot refinance our indebtedness, we will have to dedicate some or all of our cash flows, and we may be required to sell some of our assets, to pay the principal and interest on our indebtedness. In such a case, we may not be able to pay dividends to our shareholders and may not be able to grow our fleet as planned. We may also incur additional debt in the future.

Our loan facilities and the indentures for our Senior Notes and bonds subject us to limitations on our business and future financing activities, including:

limitations on the incurrence of additional indebtedness, including issuance of additional guarantees;

limitations on incurrence of liens;

limitations on our ability to pay dividends and make other distributions; and

limitations on our ability to renegotiate or amend our charters, management agreements and other material agreements.

Further, our loan facilities contain financial covenants that require us to, among other things:

provide additional security under the loan facility or prepay an amount of the loan facility as necessary to maintain the fair market value of our vessels securing the loan facility at not less than specified percentages (ranging from 100% to 140%) of the principal amount outstanding under the loan facility;

maintain available cash, including freely available undrawn amounts under credit facilities with maturities exceeding 12 months, on a consolidated basis of not less than \$25 million;

maintain positive working capital on a consolidated basis; and

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maintain a ratio of total liabilities to adjusted total assets of less than 0.80.

Under the terms of our loan facilities, we may not make distributions to our shareholders if we do not satisfy these covenants or receive waivers from the lenders. We cannot assure you that we will be able to satisfy these covenants in the future.

Due to these restrictions, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may prevent us from taking actions that are in our best interests.

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Our debt service obligations require us to dedicate a substantial portion of our cash flows from operations to required payments on indebtedness and could limit our ability to obtain additional financing, make capital expenditures and acquisitions, and carry out other general corporate activities in the future. These obligations may also limit our flexibility in planning for, or reacting to, changes in our business and the shipping industry or detract from our ability to successfully withstand a downturn in our business or the economy generally. This may place us at a competitive disadvantage to other less leveraged competitors.

Investors may experience significant dilution as a result of any future offerings.

After the sale of the 8,000,000 common shares offered pursuant to this prospectus supplement, we will have approximately 93,260,000 common shares outstanding, which represents an increase of approximately 9.4% in our issued and outstanding common shares. In order to fund further growth of our fleet beyond our eight contracted Newbuilding Vessels, we may sell additional common shares in the future. Purchasers of the shares we sell in this offering, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the price at which they invested.

If we enter into charter agreements or drilling contracts or engage in certain other activities with countries or government-controlled entities or customers associated with countries that are subject to restrictions imposed by the U.S. government, or engage in certain other activities, our ability to conduct business and access U.S. capital markets and our reputation and the market for our common shares and our notes could be adversely affected.

From time to time in the past, in what we believe were conducted in compliance with the then applicable sanctions and embargo laws, our vessels made port calls and our drilling units operated in countries that were subject to sanctions and embargoes imposed by the U.S. government and other authorities and/or identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan and Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expanded the application of the prohibitions to additional activities of companies such as ours and introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. On May 1, 2012, President Obama signed Executive Order 13608, which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. On July 30, 2012, President Obama signed Executive Order 13622, which authorized sanctions for, amongst other activities, (i) knowingly, on or after July 30, 2012, engaging in a significant transaction for the purchase or acquisition of petroleum, petroleum products or petrochemical products from Iran, and (ii) materially assisting, sponsoring or providing financial, material, or technological support for, or goods or services in support of, the National Iranian Oil Company, the Naftiran Intertrade Company, or the Central Bank of Iran, or the purchase or acquisition of U.S. bank notes or precious metals by the Government of Iran. Sanctions available under Executive Order 13622 for the activities listed under (i) above include, amongst others, denial of financing by the U.S. Export-Import Bank, limitations on the amount of loans or credits available from U.S. financial institutions and prohibition of U.S. federal procurements from sanctioned persons. For the activities listed under (ii) above, Executive Order 13622 authorizes the blocking of assets. On August 10, 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the Act) which created new sanctions and strengthened existing sanctions. Among other things, the Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the

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President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common shares may adversely affect the price at which our common shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our common shares may be adversely affected if we engage in certain other activities, such as entering into drilling contracts with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of the common shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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USE OF PROCEEDS

We expect the net proceeds from this offering to be approximately \$128.7 million, after deducting underwriting discounts and commissions and our estimated expenses of this offering, of approximately \$475,000.

We intend to use the net proceeds from this offering to invest in new assets within the shipping and offshore sectors and for general corporate purposes and working capital.

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The following table sets forth our capitalization as of March 31, 2013:

on an actual basis; and

as adjusted for this offering.

There have been no significant adjustments to our capitalization since March 31, 2013. This table should be read in conjunction with the section of this prospectus supplement entitled "Use of Proceeds," the unaudited condensed consolidated financial statements and the related notes for the three months ended March 31, 2013, included in our report on Form 6-K filed with the Commission on June 17, 2013 and incorporated by reference herein, and the consolidated financial statements and related notes included in our annual report for the year ended December 31, 2012 on Form 20-F filed with the Commission on April 17, 2013 and incorporated by reference herein.

	As of March 31, 2013	
	Actual	As Adjusted For this Offering
(In thousands of U.S. dollars)		
Cash and cash equivalents	\$ 64,820	\$ 193,545
Debt (Principal balance):		
Secured Bank Debt	\$ 1,043,843	\$ 1,043,843
2014 NOK Senior Notes	74,644	74,644
2017 NOK Senior Notes	102,604	102,604
2016 Senior Convertible Notes	125,000	125,000
2018 Senior Convertible Notes	350,000	350,000
Total debt	\$ 1,696,090	\$ 1,696,090
Shareholders' equity	\$ 1,061,928	\$ 1,190,653
Total capitalization	\$ 2,758,018	\$ 2,886,743

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Our board of directors adopted a policy in May 2004 in connection with our public listing, whereby we seek to pay a regular quarterly dividend, the amount of which is based on our contracted revenues and growth prospects. Our goal is to increase our quarterly dividend as we grow the business, but the timing and amount of dividends, if any, is at the sole discretion of our board of directors and will depend upon our operating results, financial condition, cash requirements, restrictions in terms of financing arrangements and other relevant factors subject to Bermuda law. Under Bermuda law, a company's board of directors may not declare or pay dividends from time to time if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. There are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in or out of Bermuda or to pay dividends to U.S. investors who are holders of our common shares.

We have declared dividends for 37 consecutive quarters including a dividend of \$0.39 per share which will be paid on June 28, 2013 to holders of record of our common shares on June 21, 2013. For the years ended December 31, 2009, 2010, 2011 and 2012, we paid aggregate dividends in cash and in kind to our shareholders in the amounts of \$111.1 million (\$1.50 per share), \$129.5 million (\$1.64 per share), \$122.6 million (\$1.55 per share) and \$152.0 million (\$1.86 per share), respectively.

Our ability to pay dividends is always subject to the discretion of our board of directors, the requirements of Bermuda law and the limitations contained in our bond and debt facilities. See **Risk Factors** beginning on page S-9.

Set forth below is a breakdown of the dividends we have paid in respect of 2009, 2010, 2011 and 2012 and the dividend declared to be paid on June 28, 2013:

	Payment Date	Amount per Share
2009		
	January 7, 2009	\$ 0.60
	April 17, 2009	\$ 0.30*
	July 6, 2009	\$ 0.30*
	October 16, 2009	\$ 0.30*
2010		
	January 27, 2010	\$ 0.30*
	March 30, 2010	\$ 0.30
	June 10, 2010	\$ 0.33
	September 30, 2010	\$ 0.35
	December 30, 2010	\$ 0.36
2011		
	March 29, 2011	\$ 0.38
	June 29, 2011	\$ 0.39
	September 29, 2011	\$ 0.39
	December 29, 2011	\$ 0.39
2012		
	March 28, 2012	\$ 0.30
	June 28, 2012	\$ 0.39
	September 28, 2012	\$ 0.39
	December 28, 2012	\$ 0.39
	December 28, 2012 ⁽¹⁾	\$ 0.39

2013

June 28, 2013

\$

0.39

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- * Shareholders were provided with the choice of receiving this dividend payment in cash or newly issued common shares. The number of new shares issued pursuant to these dividend payments is provided in our annual report for the year ended December 31, 2012 under the heading Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Equity.
- (1) This was an accelerated dividend in respect of the fourth quarter of 2012, which was paid in December 2012.

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Shares of our common stock trade on the New York Stock Exchange under the symbol SFL. The high and low prices of our common shares on the New York Stock Exchange are presented for the periods listed below.

You should carefully review the high and low prices of our common shares in the tables for the months, quarters and years indicated under the heading Item 9. The Offer and Listing in our annual report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein.

Period	High	Low
For the Quarter Ended		
March 31, 2013	\$ 17.71	\$ 15.96
For the Month		
June 2013 (from June 1 through and including June 14)	\$ 17.19	\$ 16.44
May 2013	\$ 17.77	\$ 16.01
April 2013	\$ 17.78	\$ 15.91
March 2013	\$ 17.64	\$ 16.28
February 2013	\$ 17.50	\$ 15.96
January 2013	\$ 17.71	\$ 16.26
December 2012	\$ 16.73	\$ 15.93

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Our Relationship with the Fredriksen Group

Our principal shareholder, Hemen Holding Ltd. and other related companies, or Hemen, are also the main shareholders of a number of other large publicly traded companies involved in various sectors of the shipping and oil services industries, which we refer to together as the Fredriksen Group.

We were formed in 2003 as a wholly-owned subsidiary of Frontline, a Fredriksen Group entity, and were partially spun off from Frontline in 2004. As of March 31, 2013, Frontline owned and operated a fleet of 48 vessels, consisting of 26 VLCCs, 10 Suezmaxes and six VLCCs and six Suezmax tankers under commercial management. Most of our tanker vessels are chartered to subsidiaries of Frontline under longer-term time charters that have remaining terms that range from five to 14 years. The Frontline Charterers, in turn, charter our vessels to third parties. The daily base charter rates payable to us under the charters have been fixed in advance and will decrease as our vessels age.

We also employ some of our assets through other members of the Fredriksen Group: (i) three of our drilling units are currently chartered to subsidiaries of Seadrill Limited, or Seadrill, including the Seadrill Charterers, (ii) one offshore supply vessel is chartered to DESS Cyprus Limited, a subsidiary of Deep Sea Supply PLC, or Deep Sea, and five offshore supply vessels are chartered to Deep Sea Supply Shipowning II B.V., a subsidiary of Deep Sea Supply BTG B.V., which is a joint venture owned 50% by Deep Sea and 50% by the Brazilian Company BTG Pactual.

Through our vessel-owning subsidiaries we have entered into fixed rate management agreements with Frontline Mana