



Prospectus

Securities Note

FRN Ship Finance International Limited Senior
Unsecured Bond Issue 2018/2023

NO 001 0831597

Joint Lead Managers:



Nordea

SpareBank 
MARKETS

30 October 2018

Important notice

The Securities Note has been prepared in connection with listing of the securities at Oslo Børs. The Norwegian Financial Supervisory Authority (the "**Norwegian FSA**") has controlled and approved the Securities Note pursuant to Section 7-7 and 7-8, cf. section 7-3, of the Norwegian Securities Trading Act on 30 October 2018. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this securities note (the "**Securities Note**"). The approval given by the Norwegian FSA only relates to Ship Finance International Limited's (the "**Issuer**" or the "**Company**") descriptions pursuant to a pre-defined check list of requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or otherwise covered by this Securities Note. New information that is significant for the Issuer or its subsidiaries may be disclosed after the Securities Note has been made public, but prior to the listing of the Bond. Such information will be published as a supplement to the Securities Note pursuant to Section 7-15 of the Norwegian Securities Trading Act. On no account must the publication or the disclosure of the Securities Note give the impression that the information herein is complete or correct on a given date after the date of the Securities Note, or that the business activities of the Issuer or its subsidiaries may not be changed.

Only the Issuer and the Joint Lead Managers are entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

Unless otherwise stated, the Securities Note is subject to Norwegian law. In the event of any dispute regarding the Securities Note, Norwegian law will apply.

In certain jurisdictions, the distribution of the Securities Note may be limited by law, for example in the United States of America or in the United Kingdom. Verification and approval of the Securities Note by the Norwegian FSA implies that the Securities Note may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Securities Note in any jurisdiction where such action is required. Persons that receive the Securities Note are ordered by the Issuer and the Joint Lead Managers to obtain information on and comply with such restrictions.

This Securities Note is not an offer to sell or a request to buy bonds.

The content of the Securities Note does not constitute legal, financial or tax advice and bond owners should seek legal, financial and/or tax advice.

Contact the Issuer or the Joint Lead Managers to receive copies of the Securities Note.

This Securities Note should be read together with the Registration Document dated 29 May 2018 (the "**Registration Document**") and the prospectus supplement with amendments to the Registration Documents dated 30 October 2018 (the "**Prospectus Supplement**"). The Securities Note, the Registration Document and the Prospectus Supplement together constitute the Prospectus.

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1. Risk factors

All investments in interest bearing securities have risk associated with such investment. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. An investment in interest bearing securities is only suitable for investors who understand the risk factors associated with this type of investments and who can afford a loss of all or part of the investment. Please refer to the Registration Document and the Prospectus Supplement section 1 for a listing of specific risk factors related to the Company's business.

Each potential investor in the Company's Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Securities Note or any applicable supplement including;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There are five main risk factors that sums up the investors total risk exposure when investing in interest bearing securities: **liquidity risk, interest rate risk, settlement risk, credit risk and market risk** (both in general and issuer specific).

Liquidity risk is the risk that a party interested in trading bonds cannot do it because nobody in the market wants to trade the bonds. Missing demand of the bonds may incur a loss on the bondholder.

Interest rate risk is the risk borne by the Loan due to variability of the NIBOR interest rate. The coupon payments, which depend on the NIBOR interest rate and the Margin, will vary in accordance with the variability of the NIBOR interest rate. The interest rate risk related to this bond issue will be limited, since the coupon rate will be adjusted quarterly according to the change in the reference interest rate (NIBOR 3 months) over the 5 year tenor. The primary price risk for a floating rate bond issue will be related to the market view of the correct trading level for the credit spread related to the bond issue at a certain time during the tenor, compared with the credit margin the bond issue is carrying. A possible increase in the credit spread trading level relative to the coupon defined credit margin may relate to general changes in the market conditions and/or Issuer specific circumstances. However, under normal market circumstances the anticipated tradable credit spread will fall as the duration of the bond issue becomes shorter. In general, the price of bonds will fall when the credit spread in the market increases, and conversely the bond price will increase when the market spread decreases.

Settlement risk is the risk that the settlement of bonds does not take place as agreed. The settlement risk consists of the failure to pay or the failure to deliver the bonds.

Credit risk is the risk that the Issuer fails to make the required payments under the Bond (either principal or interest).

Market risk is the risk that the value of the Bonds will decrease due to the change in value of the market risk factors. The price of a single bond issue will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of this bond issue in the market. In spite of an underlying positive development in the Issuer's business activities, the price of a bond may fall independent of this fact. Bond issues

with a relatively short tenor and a floating rate coupon rate do however in general carry a lower price risk compared to loans with a longer tenor and/or with a fixed coupon rate.

No market-maker agreement is entered into in relation to this Bond issue, and the liquidity of the Bonds will at all times depend on the market participants' view of the credit quality of the Issuer as well as established and available credit lines. In case of an illiquid market for the Bonds, investor may not be able to sell the securities easily or at prices that will provide them with a yield comparable to similar investments that have a well developed secondary market.

2. Person responsible

2.1 Persons responsible for the information

Persons responsible for the information given in this Securities Note are as follows:

Ship Finance International Limited
Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM08, Bermuda
Post Address: P.O. Box HM 1593, Hamilton, HM08, Bermuda.

2.2 Declaration by persons responsible

The Prospectus has been prepared by Ship Finance International Limited in connection with the listing of the Bonds. We confirm that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

30 October 2018

Ship Finance International Limited

3. Information concerning the securities

ISIN code:	NO 001 0831597.
The Loan/The Bonds/The Issue:	FRN Ship Finance International Limited Senior Unsecured Bond Issue 2018/2023.
Issuer:	Ship Finance International Limited.
Security Type:	Bond issue with floating rate.
Maximum Amount:	NOK 1 000 000 000.
Outstanding Amount:	NOK 600 000 000.
Denomination – Each Bond:	NOK 1 000 000, each and among themselves pari passu ranking.
Securities Form:	The Bonds are electronically registered in book-entry form with the Securities Depository.
Disbursement/Issue Date:	13 September 2018.
Interest Accrual Date:	Disbursement/Issue Date.
Interest Bearing To:	Maturity Date.
Maturity Date:	13 September 2023.
Interest Rate:	3 months NIBOR + Margin.
Margin:	4.75 percentage points per annum.
Current Rate:	5.81%.
Bond Reference Rate:	3 months NIBOR.
Interest Payment Date:	13 December, 13 March, 13 June and 13 September each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.
	The Issuer shall pay interest on the par value of the Bonds from, and including, the Issue Date at the Bond Reference Rate plus the Margin (together the "Floating Rate").
	The relevant interest payable amount shall be calculated based on a period from, and including, the Issue Date or one Interest Payment Date (as the case may be) to, but excluding, the next following applicable Interest Payment Date.
	The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two Business Days preceding that Interest Payment Date.
NIBOR:	The interest rate which (a) is published on Reuters Screen NIBR Page (or through another system or on another website replacing the said system or website

	respectively) approximately 12.00 noon (on days on which the Norwegian money market has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published by the banks at 10 a.m. shall be used), or, if such publication does not exist, (b) at that time corresponds to (i) the average of the quoted lending rates of Norwegian commercial banks on the interbank market in Oslo or, if only one or no such quotes are provided, (ii) the assessment of the Bond Trustee of the interest rate, which in the Bond Trustee's determination is equal to what is offered by Norwegian commercial banks, for the applicable period in the Oslo interbank market. If any such rate is below zero, NIBOR will be deemed to be zero.
Floating Rate Day Count Fraction:	Actual/360.
Business Day Convention:	Modified Following. If the relevant Payment Date originally falls on a day that is not a Business Day, an adjustment of the Payment Date will be made so that the relevant Payment Date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day (Modified Following Business Day Convention).
Issue Price:	100 % (par value).
Yield:	Investors wishing to invest in the Bonds after the Issue Date must pay the market price for the Bonds in the secondary market at the time of purchase. Depending on the development in the bond market in general and the development of the Issuer, the price of the Bonds may have increased (above par) or decreased (below par). As the Bonds have a floating reference rate, it is the market's expectations of risk premium, i.e. margin that affects the price. If the price has increased, the yield for the purchaser in the secondary market, given that the reference rate does not change, will be lower than the interest rate of the Bonds and vice versa. At par and an assumption that the reference rate is .81% from the issue date to maturity date, the yield will be 5.81%.
Business Day:	Any day on which commercial banks are open for general business and can settle foreign currency transactions in Oslo, London and New York.
Maturity:	The Bonds shall mature in full on the Maturity Date, and shall be repaid at par (100%) by the Issuer.
Call Option:	The Issuer may redeem the Bond Issue, all or nothing, (a "Call Option") at any time from and including the Interest Payment Date in March 2023, to but not included, the Maturity Date at 100.50 % of par plus accrued interest on redeemed amount. Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty Business Days prior to the settlement date of the Call Option. On the settlement date of the Call Option, the Issuer shall pay to each of the Bondholders holding Bonds to be

redeemed, in respect of each such Bond, the principal amount of such Bond (including any premium as stated above) and any unpaid interest accrued up to the settlement date.

Bonds redeemed by the Issuer in accordance with the Bond Agreement Clause 10.2 shall be discharged against the Outstanding Bonds

Change of control:

Upon the occurrence of a Change of Control Event, each Bondholder shall have the right to require that the Issuer redeems its Bonds (a "Put Option") at a price of 100% of par plus accrued interest.

The Put Option must be exercised within two months after the Issuer has given notification to the Bond Trustee of a Change of Control Event. Such notification shall be given as soon as possible after a Change of Control Event has taken place.

The Put Option may be exercised by each Bondholder by giving written notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the redemption request. The settlement date of the Put Option shall be the third Business Day after the end of the two month exercise period of the Put Option.

On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, the principal amount of each such Bond (including any premium pursuant to the Bond Agreement Clause 10.3.1) and any unpaid interest accrued up to (but not including) the settlement date.

Change of Control Event:

If any person or group, other than Hemen Holding Ltd., Farahead Investment Inc. and/or other companies which are controlled directly or indirectly by Mr. John Fredriksen, his direct lineal descendants, the personal estate of any of them and any trust created for the benefit of any of the aforementioned persons and their estates, becomes the owner, directly or indirectly, of more than 50% of the outstanding shares of the Issuer.

Redemption:

Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal.

Status of the Bonds and security:

The Bonds shall constitute senior debt obligations of the Issuer. The Bonds shall rank at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.

The Bonds are unsecured.

Event of Default:

Means the occurrence of an event or circumstance specified in the Bond Agreement clause 15.1.

Covenants:	See Bond Agreement section 13.
Special covenants:	<p>Financial Covenants</p> <p><i>(i) Minimum Free Cash</i></p> <p>The Issuer shall ensure that the Issuer on a consolidated basis maintains minimum Free Cash of USD 25,000,000.</p> <p><i>(ii) Minimum Working Capital</i></p> <p>The Issuer shall ensure that the Issuer on a consolidated basis at all times maintains a positive Working Capital.</p> <p><i>(iii) Equity Ratio</i></p> <p>The Issuer shall ensure that the Issuer on a consolidated basis at each Quarter Date has an Equity Ratio of at least 20 %.</p>
Purpose:	The net proceeds of the Bonds shall be applied for refinancing of existing debt and for general corporate purposes.
Approvals:	The Bonds were issued in accordance with the Issuer's Board approval 13 September 2018.
Listing:	An application for listing of the Bonds will be sent Oslo Børs.
Bond Agreement:	<p>The Bond Agreement has been entered into between the Issuer and the Trustee. The Bond Agreement regulates the Bondholder's rights and obligations in relations with the issue. The Trustee enters into this agreement on behalf of the Bondholders and is granted authority to act on behalf of the Bondholders to the extent provided for in the Bond Agreement.</p> <p>When bonds are subscribed / purchased, the Bondholder has accepted the Bond Agreement and is bound by the terms of the Bond Agreement.</p> <p>Information regarding bondholders' meeting and the Bondholder's right to vote are described in the Bond Agreement clause 16.</p> <p>Information regarding the role of the Trustee, see Bond Agreement clause 17.</p> <p>The Bond Agreement is attached to this Securities Note.</p>
Documentation:	Registration Document dated 29 May 2018, the Prospectus Supplement dated 30 October 2018 and the Securities Note dated 30 October 2018 (these documents together constitute the Prospectus) and the Bond Agreement dated 11 September 2018.
Availability of the Documentation:	www.shipfinance.bm .
Trustee:	Nordic Trustee ASA, P.O. Box 1470 Vika, 0116 Oslo, Norway.
Joint Lead Managers:	DNB Bank ASA, DNB Markets, N-0191 Oslo, Norway; Nordea Bank AB (publ), Filial i Norge NUF, Nordea Markets, P.O. Box 1166 Sentrum, NO-0107 Oslo, Norway; Danske Bank A/S, Norwegian Branch, 7466

Trondheim, Norway; and SpareBank1 Markets AS, Olav Vs gate 5, NO-0114 Oslo, Norway.

Paying Agent: Nordea Bank AB (publ), filial i Norge NUF, P.O. Box 1166 Sentrum, 0107 Oslo, Norway.

The Paying Agent is in charge of keeping the records in the Securities Depository.

Calculation Agent: Nordic Trustee ASA, P.O Box 1470 Vika, Norway.

Listing Agent: Nordic Trustee ASA, P.O. Box 1470 Vika, Norway.

Securities Depository: Verdipapirregisteret ("VPS"), Postboks 4, 0051 Oslo.

Market-Making: There is no market-making agreement entered into in connection with the Bonds.

Legislation under which the Securities have been created: Norwegian law.

Fees and Expenses: The Issuer shall pay any stamp duty and other public fees in connection with the Bond Issue. Any public fees or taxes on sales of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise decided by law or regulation. At present there is no withholding tax on bonds in Norway. The Issuer is responsible for withholding any withholding tax imposed by Norwegian law.

Fees: Total expenses related to the admission to trading is approximately NOK 100 000.

4. Definitions

“**Account Manager**” means a Bondholder’s account manager in the Securities Depository.

“**Adjusted Total Assets**” means:

- (A) Total Assets; *plus*
- (B) (on a consolidated basis for the Group) the aggregated book value of the deferred equity contribution relating to the assets acquired from Frontline Ltd.

For the avoidance of doubt, this implies that Adjusted Total Assets shall be:

(A) *plus* (B)

“**Adjusted Total Liability**” means:

- (A) Total Liabilities; *less*
- (B) (on a consolidated basis for the Group) the aggregated book value of the net present value (NPV), based on a mark-to-market valuation, of interest rate swaps (if any).

For the avoidance of doubt, this implies that Adjusted Total Liability shall be:

(A) *minus* (B)

“**Board**” or “**Board of Directors**” means the Board of Directors of Ship Finance International Limited.

“**Bond Agreement**” means the bond agreement dated 13 September 2018.

“**Bondholder**” means a holder of Bond(s), as registered in the Securities Depository, from time to time.

“**Company**” means Ship Finance International Limited.

“**Decisive Influence**” means a person having, as a result of an agreement or through the ownership of shares or interests in another person: a majority of the voting rights in that other person; or a right to elect or remove a majority of the members of the board of directors of that other person. When determining the relevant person’s number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company’s Subsidiaries shall be included.

“**EEA**” means the European Economic Area.

“**Equity**” means Adjusted Total Assets less Adjusted Total Liabilities.

“**Equity Ratio**” means Equity divided by Adjusted Total Assets.

“**Free Cash**” means the aggregate book value of the holdings which at all times are available for the Issuer of any:

- (a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts;
- (b) time deposits and certificates of deposit issued, and bills of exchange; and
- (c) undrawn credit lines,
in each case, to which any Group Company is beneficially entitled at that time and to which any such Group Company has free and unrestricted access.

"**GAAP**" means the generally accepted accounting practice and principles in the United States of America or, if implemented by the Issuer, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

"**Group**" means the Issuer and its consolidated Subsidiaries, and a "**Group Company**" means the Issuer or any of its consolidated Subsidiaries.

"**Issuer**" means Ship Finance International Limited.

"**Joint Lead Managers**" means Danske Bank, DNB Markets, Nordea Bank and Sparebank 1 Markets.

"**Listing Agent**" means Nordic Trustee ASA.

"**NOK**" means Norwegian Kroner, the lawful currency of the Kingdom of Norway.

"**Norwegian FSA**" means the Financial Supervisory Authority of Norway ("Finanstilsynet").

"**Norwegian Securities Trading Act**" means the Norwegian Securities Trading Act of 29 June 2007 no 75.

"**Oslo Børs**" means the exchange Oslo Børs operated by Oslo Børs ASA.

"**Outstanding Bonds**" means the Bonds not redeemed or otherwise discharged.

"**Prospectus**" means the Securities Note, the Registration Document and the Prospectus Supplement, including the appendices.

"**Prospectus Supplement**" means the prospectus supplement to the Registration Document dated 29 May 2018.

"**Quarter Date**" means each 31 March, 30 June, 30 September and 31 December.

"**Registration Document**" means the registration documents published by the Company on 29 May 2018.

"**Securities Note**" means this document.

"**Subsidiary**" means a company over which another company has Decisive Influence.

"**Total Assets**" means, on any date, (on a consolidated basis for the Group) the aggregate book value of those assets which according to GAAP should be included as assets in the balance sheet.

"**Total Liabilities**" means, on any date, (on a consolidated basis for the Group) the aggregate book value of those liabilities which according to GAAP should be included as liabilities in the balance sheet.

"**USD**" means American dollars, the lawful currency of the United States of America.

"**VPS**" means the Norwegian Central Securities Depository (Verdipapirsentralen).

"**Working Capital**" means:

- (A) (on a consolidated basis for the Group) the aggregate book value of those assets which according to GAAP should be included as current assets in the balance sheet; *less*
- (B) (on a consolidated basis for the Group) the aggregate book value of those liabilities which according to GAAP should be included as current liabilities in the balance sheet; *plus*

(C) (on a consolidated basis for the Group) the aggregate book value of the scheduled installments (including any balloons) on long term debt which according to GAAP should be included as current liabilities in the balance sheet.

For the avoidance of doubt, this implies that Working Capital shall be:

(A) *less* (B) *plus* (C).

5. Additional information

The involved persons in Ship Finance International Limited have no interest, nor conflicting interests that is material to the Issue.

Ship Finance International Limited has mandated Danske Bank, DNB Markets, Nordea Bank and Sparebank 1 Markets as Joint Lead Managers for the issuance of the Bonds. The Joint Lead Managers has acted as advisor to Ship Finance International Limited in relation to the pricing of the Loan.

The Joint Lead Managers and/or any of their affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Securities Note, and may perform or seek to perform financial advisory or banking services related to such instruments. The Joint Lead Managers corporate finance department may act as manager or co-manager for this Issuer in private and/or public placement and/or resale not publicly available or commonly known.

The Prospectus will be published in Norway. An application will be made for the listing of the Bonds on Oslo Børs.

Statement from the Listing Agent:

Nordic Trustee ASA, acting as Listing Agent, has assisted the Issuer in preparing this Securities Note. The Listing Agent has not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and the Listing Agent expressly disclaims any legal or financial liability as to the accuracy or completeness of the information contained in this Securities Note or any other information supplied in connection with bonds issued by the Issuer or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer. Each person receiving this Securities Note acknowledges that such person has not relied on the Listing Agent nor on any person affiliated with it in connection with its investigation of the accuracy of such information or its investment decision.

6. Appendix: Bond Agreement