

Ship Finance International LTD
Form 6-K
December 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
For the month of December 2018
Commission File Number: 001-32199

Ship Finance International Limited
(Translation of registrant's name into English)

Par-la-Ville Place
14 Par-la-Ville Road
Hamilton, HM 08, Bermuda
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto are the unaudited condensed interim financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations of Ship Finance International Limited (the "Company") for the nine months ended September 30, 2018.

This report on Form 6-K is hereby incorporated by reference into the Company's two registration statements on Form F-3 (Registration No. 333-213782 and Registration No. 333-213783), each filed with the U.S. Securities and Exchange Commission (the "Commission") on September 26, 2016.

SHIP FINANCE INTERNATIONAL LIMITED

REPORT ON FORM 6-K FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

for the nine months ended September 30, 2018 and September 30, 2017

and the year ended December 31, 2017

(in thousands of \$, except per share amounts)

	Nine months ended		Year ended
	September 30, 2018	2017	December 31, 2017
Operating revenues			
Direct financing lease interest income - related parties	8,277	12,974	16,362
Direct financing and sales-type lease interest income - other	21,915	15,750	21,903
Finance lease service revenues - related parties	18,828	27,557	35,010
Profit sharing revenues - related parties	244	5,591	5,753
Profit sharing revenues - other	—	61	61
Time charter revenues - related parties	39,864	38,639	51,832
Time charter revenues - other	165,324	138,543	186,577
Bareboat charter revenues - related parties	—	5,735	5,736
Bareboat charter revenues - other	27,451	24,279	34,860
Voyage charter revenues - other	16,865	14,352	21,037
Other operating income	1,373	1,295	1,747
Total operating revenues	300,141	284,776	380,878
Gain/(loss) on sale of assets and termination of charters, net	(797)	1,124	1,124
Operating expenses			
Vessel operating expenses - related parties	36,110	44,875	57,714
Vessel operating expenses - other	58,531	53,831	74,080
Depreciation	73,358	65,501	88,150
Vessel impairment charge	28,590	—	—
Administrative expenses - related parties	731	598	831
Administrative expenses - other	6,387	5,110	6,601
Total operating expenses	203,707	169,915	227,376
Net operating income	95,637	115,985	154,626
Non-operating income/(expense)			
Interest income - related parties, long term loans to associated companies	10,596	11,733	15,265
Interest income - related parties, other	95	1,312	422
Interest income - other	1,540	1,758	3,643
Interest expense - related parties	(5,489)	—	—
Interest expense - other	(73,473)	(68,421)	(90,414)
(Loss)/gain on repurchase of bonds	(89)	(847)	(2,305)
Long-term investment impairment charge	—	—	(4,410)
Dividend income - related parties	—	3,300	3,300
Other financial items, net	30,431	(3,778)	(2,684)
Net income before equity in earnings of associated companies	59,248	61,042	77,443
Equity in earnings of associated companies	10,904	20,082	23,766
Net income	70,152	81,124	101,209
Per share information:			
Basic earnings per share	\$0.67	\$0.87	\$ 1.06
Diluted earnings per share	\$0.63	\$0.83	\$ 1.03

The accompanying notes are an integral part of these condensed consolidated financial statements.

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the nine months ended September 30, 2018 and September 30, 2017

and the year ended December 31, 2017

(in thousands of \$)

	Nine months ended		Year ended
	September 30, 2018	2017	December 31, 2017
Net income	70,152	81,124	101,209
Fair value adjustments to hedging financial instruments	6,796	4,843	9,974
Earnings reclassification of previously deferred fair value adjustments to hedging financial instruments	(3,127)	1,555	1,555
Fair value adjustments to investment securities classified as available-for-sale	8,053	(3,757)	(23,528)
Unrealized loss from investment securities classified as available-for-sale securities reclassified to Consolidated Statement of Operations	—	—	2,106
Fair value adjustments to hedging financial instruments in associated companies	116	760	1,182
Other comprehensive income/(loss)	15	92	60
Other comprehensive income/(loss), net of tax	11,853	3,493	(8,651)
Comprehensive income	82,005	84,617	92,558

The accompanying notes are an integral part of these condensed consolidated financial statements.

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

as at September 30, 2018 and December 31, 2017

(in thousands of \$, except share data)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	143,989	153,052
Investments in debt and equity securities	127,130	93,802
Due from related parties	9,368	9,625
Trade accounts receivable	3,779	12,583
Other receivables	11,924	9,012
Inventories	8,387	5,126
Prepaid expenses and accrued income	3,228	2,291
Investment in direct financing and sales-type leases, current portion	32,924	32,096
Assets held for sale	76,273	—
Other current assets	76	—
Financial instruments (short-term): at fair value	40	108
Total current assets	417,118	317,695
Vessels and equipment, net	2,145,654	1,762,596
Vessels and equipment under capital lease, net	109,713	—
Investments in direct financing and sales-type leases, long-term portion	535,665	585,975
Investments in associated companies	21,699	10,678
Loans to related parties - associated companies, long-term	298,822	314,000
Long-term receivables from related parties	13,238	—
Financial instruments (long-term): at fair value	18,467	8,347
Other long-term assets	29,809	12,791
Total assets	3,590,185	3,012,082
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	603,953	313,823
Due to related parties	1,851	857
Trade accounts payable	4,823	487
Financial instruments (short-term): at fair value	38,759	503
Accrued expenses	13,795	13,351
Other current liabilities	22,360	14,724
Total current liabilities	685,541	343,745
Long-term liabilities		
Long-term debt, net of current portion	1,350,611	1,190,184
Financial instruments (long-term): at fair value	1,133	48,618
Other long-term liabilities	321,191	234,538
Total liabilities	2,358,476	1,817,085
Commitments and contingent liabilities		
Stockholders' equity		
Share capital (\$0.01 par value; 200,000,000 shares authorized; 119,373,064 shares issued and outstanding at September 30, 2018). (\$0.01 par value; 150,000,000 shares authorized; 110,930,873 shares issued and outstanding at December 31, 2017).	1,194	1,109

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Additional paid-in capital	469,879	403,659
Contributed surplus	680,703	680,703
Accumulated other comprehensive income/ (loss)	15,907	(94,612)
Accumulated other comprehensive income - associated companies	322	206
Retained earnings	63,704	203,932
Total stockholders' equity	1,231,709	1,194,997
Total liabilities and stockholders' equity	3,590,185	3,012,082

The accompanying notes are an integral part of these condensed consolidated financial statements.

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the nine months ended September 30, 2018 and September 30, 2017

and the year ended December 31, 2017

(in thousands of \$)

	Nine months ended		Year ended
	September 30,	September 30,	December 31,
	2018	2017	2017
Operating activities			
Net income	70,152	81,124	101,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	73,359	65,501	88,150
Vessel impairment charge	28,590	—	—
Available for sale securities impairment charge	—	—	4,410
Amortization of deferred charges	6,304	7,113	9,013
Amortization of seller's credit	(342)	(934)	(1,249)
Amortization of value attributable to acquired long-term charters	968	—	—
Equity in earnings of associated companies	(10,904)	(20,082)	(23,766)
Loss/(gain) on sale of assets and termination of charters	797	(1,124)	(1,124)
Adjustment of derivatives to fair value recognized in net income	(14,814)	(4,724)	(8,208)
Adjustment of equity investments recognized in the income statement	(15,674)	—	—
Loss on repurchase of bonds	89	847	2,305
Interest receivable in form of notes	—	(635)	(635)
Other, net	641	(1,337)	3,959
Changes in operating assets and liabilities:			
Trade accounts receivable	8,493	(3,976)	(9,034)
Due from related parties	(998)	5,862	10,543
Other receivables	(2,910)	3,194	2,418
Inventories	(3,262)	(724)	(42)
Other current assets	(76)	—	—
Prepaid expenses and accrued income	(937)	921	1,317
Trade accounts payable	4,336	(212)	(742)
Accrued expenses	653	(449)	(1,188)
Other current liabilities	1,350		