

Preliminary Earnings Release

Q1 2024



SFL Corporation Ltd.

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Preliminary Q1 2024 results and increased quarterly cash dividend to \$0.27 per share

Hamilton, Bermuda, May 14, 2024. SFL Corporation Ltd. (“SFL” or the “Company”) today announced its preliminary financial results for the quarter ended March 31, 2024.

Highlights

- 81st consecutive quarterly dividend, increased to \$0.27 per share
- Net profit of \$45.3 million, or \$0.36 per share in the first quarter
- Received charter hire¹ of \$235.8 million in the quarter, including \$5.5 million of profit share
- Adjusted EBITDA² of \$143.8 million from consolidated subsidiaries, plus \$7.8 million adjusted EBITDA² from 49.9% owned associated companies
- Delivery of two LNG dual-fuel car carriers with ten year time charters to K-Line
- Acquisition of three newbuild LR2 product tankers and two LNG dual-fuel stainless steel chemical carriers in combination with long term employment
- New five year charters for three 10,600 teu vessels to Maersk
- Charter extensions with Maersk for three 8,700-9,500 teu container vessels
- Issuance of new \$150 million sustainability-linked bond due 2028

Ole B. Hjertaker, CEO of SFL Management AS, said in a comment:

«We are pleased to execute on our growth strategy, with several new vessels to be added over the next few months. Over the last decade SFL has transformed from a vessel financing provider to a maritime infrastructure company, with the majority of assets on long term time charters to end users.

A key part of our value proposition is to own, operate and continuously upgrade the fleet to the highest standards, including fuel efficiency measures to reduce the carbon footprint for us and our customers. And the strength of our operating platform is illustrated by our ability to execute multiple repeat transactions with industry leading counterparties.

Our fixed rate charter backlog continues to grow and stands at approximately \$3.6 billion after recent acquisitions and charters. This provides increased cash flow visibility going forward, with additional contribution from the newly acquired vessels from the third quarter onwards.»

Quarterly Dividend

The Board of Directors has declared an increased quarterly cash dividend of \$0.27 per share. The dividend will be paid on or around June 26, to shareholders of record as of May 28, and the ex-dividend date on the New York Stock Exchange will be May 27, 2024.

1 Charter hire represents the amounts billable in the period by the Company and its associates for chartering out vessels and rigs. This is mainly the contracted daily rate multiplied by the number of chargeable days plus any additional billable income, including profit share. Long term charter hire relates to contracts undertaken for a period greater than one year. Short term charter hire relates to contracts undertaken for a period less than one year, including voyage charters.

2 'Adjusted EBITDA' is a non-U.S. GAAP measure. It represents cash receipts from operating activities before net interest and capital payments.

Results for the Quarter ended March 31, 2024

The Company reported total U.S. GAAP operating revenues on a consolidated basis of \$229.1 million in the first quarter of 2024, compared to \$209.6 million in the previous quarter. This figure is lower than the cash received as it excludes approximately \$10.5 million of charter hire which is not classified as operating revenues pursuant to U.S. GAAP. This comprises of 'repayment of investment in sales-type leases' and gross charter hire from entities classified as 'investment in associates' for accounting purposes.

The net result in the first quarter was also impacted by non-recurring or non-cash items, including net positive mark-to-market effects from swaps of \$1.8 million, negative mark-to-market effects from equity investments of \$0.4 million and an increase of \$0.1 million in credit loss provisions.

Reported net income pursuant to U.S. GAAP for the quarter was \$45.3 million, or \$0.36 per share.

Business Update

As of March 31, 2024, and adjusted for subsequent transactions, the estimated fixed rate charter backlog³ from the Company's fleet of 76 wholly or partly owned vessels and newbuildings under construction was approximately \$3.6 billion with a weighted remaining charter term of 5.7 years.

Some of the charters include purchase options which, if exercised, may reduce the fixed rate charter backlog and the average remaining charter term, but will increase capital available for new investments. Additionally, several charters include profit sharing features that may improve SFL's operating results.

The majority of our vessels are employed on time charter contracts where SFL is responsible for technical, operational, and commercial management. In addition, some vessels are employed on bareboat charters where the Company's customers are responsible for these services.

Container

SFL has a container fleet of 34 vessels. The container fleet generated approximately \$90.2 million of charter hire in the quarter, including profit share from fuel savings.

Maersk has recently exercised one year extension options for three 8,700-9,500 teu vessels, adding approximately \$30 million to the charter backlog. Furthermore, the Company has agreed new five year charters for three 10,600 teu vessels with Maersk until the middle of 2030, adding approximately \$210 million in charter backlog. In addition, the Company recently chartered the 1,700 teu feeder vessel *Green Ace* to Maersk until the fourth quarter of 2024.

Car carrier

SFL has a car carrier fleet of seven vessels. The car carrier fleet generated approximately \$24.9 million of charter hire in the quarter, including profit share from fuel savings.

In January and March, the Company took delivery of the LNG dual-fuel car carriers *Odin Highway* and *Thor Highway*, and the vessel has commenced their ten year time charters to K-Line. The vessels will have full cash flow effect from the second quarter onwards.

Tanker

SFL has a fleet of 16 crude oil and product tankers, of which three were under construction at quarter end. The vessels generated approximately \$29.9 million in gross charter hire during the quarter. All of SFL's

³ Fixed rate backlog as of March 31, 2024 includes fully owned vessels, rigs and 100% of four partially owned 19,000 teu container vessels, which SFL also manages. It also includes subsequent transactions. The backlog excludes charterers' extension options and purchase options (if applicable).

tanker vessels are employed on long term time charters.

During the first quarter, the Company agreed to acquire three LR2 product tankers under construction in combination with five year time charters to a world leading energy and commodities company, adding close to \$200 million to SFL's fixed rate backlog. The Company expects to take delivery of the vessels between the second and fourth quarter of this year.

Subsequent to quarter end, the Company agreed to acquire two LNG dual-fuel 33,000 dwt chemical carriers in combination with long term employment to affiliates of Stolt Tankers, a subsidiary of the world leading chemical logistics company Stolt-Nielsen Limited. The Company expects to take delivery of the vessels between June and August this year and both vessels will be employed for a minimum of eight years. One vessel will be on a fixed rate time charter and one vessel will be employed in a pool with similar sized vessels serving a portfolio of long term industrial freight volume contracts.

Dry Bulk

The Company has 15 dry bulk carriers of which eight were employed on long term charters in the quarter. SFL generated approximately \$24.3 million in gross charter hire from the dry bulk vessels, including profit share generated from the eight capesize vessels on charter to Golden Ocean.

Seven dry bulk vessels, comprising of five supramax and two kamsarmax bulkers, were employed in the spot and short term charter market in the quarter and earned approximately \$6.5 million in net charter hire, compared to approximately \$7.3 million in the previous quarter.

Energy

SFL owns two harsh environment drilling rigs, the large jack-up rig *Linus* and the ultra-deepwater semi-submersible rig *Hercules*. During the first quarter, the rigs generated approximately \$66.5 million in contract revenues, compared to approximately \$44.9 million in the fourth quarter.

Linus is under a long term contract with ConocoPhillips in Norway until 2028. During the quarter, revenues from the rig were \$19.6 million compared to \$19.0 million in the previous quarter. The rig is currently at a yard in Norway for its ten year special periodic survey ("SPS") with an estimated net capital expenditure of approximately \$30 million. In connection with the SPS, we expect the rig to be offhire for approximately five weeks.

In the first quarter, *Hercules* was under contract with Galp Energia in Namibia recording approximately \$46.9 million of revenues, compared to \$25.9 million in the previous quarter when half of the quarter was spent in mobilization mode. The rig is currently mobilizing to Canada for a contract with Equinor. Under US GAAP, mobilization fees and costs are deferred and amortized over the course of the contract. SFL is accordingly expecting to record lower income and cost on *Hercules* in the second quarter.

Financing and Capital Expenditure

As of March 31, 2024, SFL carried approximately \$168 million of cash and cash equivalents on its balance sheet. The Company also had unencumbered vessels and marketable securities with a combined market value of more than \$100 million.

In April, SFL issued a \$150 million senior unsecured sustainability-linked note in the Nordic high yield bond market. The bond matures in four years and bears a coupon of 8.25%. Following the issuance of this note, the Company exercised its call option on a NOK 700 million bond maturing in June, thus extinguishing this debt in full. The hedged amount outstanding at the end of the first quarter was the equivalent of approximately \$81 million.

Subsequent to quarter end, the Company has arranged a \$37 million JOLCO financing for the previously debt free container vessel *Maersk Phuket* at very attractive terms and with maturity matching the long term time charter.

The Company has recently entered into agreements to acquire a total of five new vessels at combined acquisition costs of approximately \$344 million. The vessels are expected to be delivered from the second quarter onwards and are expected to be funded by a combination of cash at hand and conventional vessel loans from SFL's group of banks. Aggregate financing amount is expected to be approximately \$243 million and discussions with banks are at an advanced stage. We expect financings to close concurrent with each vessel's delivery, subject only to customary closing procedures.

Strategy and Outlook

SFL's business model is to own and operate modern maritime assets in combination with long term charters to high quality companies in multiple end markets. Owning a diversified portfolio of vessels on long term charters provide high earnings visibility, lower residual value risk and lower concentration risk to an individual shipping market or specific customer. It further enables the Company to continuously reinvest in new assets and pay attractive dividends.

In parallel with acquiring new assets, the Company is also continuously focusing on improving operational efficiency in our existing fleet. This is illustrated by upgrades to our 14,000 teu container vessels, where a combination of various hull and propeller modifications and cargo intake upgrades is expected to reduce fuel consumption per transported container by nearly 20%.

Further, we estimate that newbuild yard prices for standard vessels have increased by 30-40% the last few years due to inflationary pressure in international commodity prices and labor markets. This, combined with increased focus on premium vessel operations and fuel efficiency, could have profound implications for future shipping rates and the value of the vessels after the existing charter periods. The Board believes that owning a fleet of modern high quality maritime assets and continuing our efforts to optimize the vessels' performance is key to capture this value for our shareholders.

Corporate and other matters

In January and March 2024, the Company issued a total of 207,146 shares to directors and officers in settlement of options issued in 2019 pursuant to the Company's incentive program. Furthermore, in February 2024, SFL awarded 440,000 new options to employees, officers, and directors pursuant to the Company's incentive program.

In 2023, the Company's Board of Directors authorized the repurchase of up to an aggregate of \$100 million of the Company's common shares, and the Company repurchased an aggregate of approximately 1.1 million shares in 2023 at an average price of approximately \$9.27 per share, which leaves around \$90 million remaining available under the program. SFL also has the opportunity to issue shares from time to time under its At The Market ("ATM") and dividend reinvestment programme ("DRIP"). This provides flexibility to buy or sell shares if and when the Board of Directors deems it attractive for the Company. SFL is not, however, obligated under the terms of any of the programmes above to repurchase any of its common shares or to issue new shares and any of the programmes may be suspended or reinstated at any time at the Company's discretion and without further notice.

Accounting Items

Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), long term lease financing arrangements for some of the Company's container vessels require the Company to report seven of these vessels as 'Vessels and equipment under finance lease, net' with the corresponding lease

debt reported as 'finance lease liability', short and long term.

Additionally, another seven container vessels were reported as 'Investment in sales-type leases' in the Company's consolidated accounts at quarter end.

Under U.S. GAAP, the partly owned affiliates owning four container vessels were accounted for as 'investment in associates' applying the equity method. As a result of the accounting treatment, operating revenues, operating expenses and net interest expenses in these affiliates were not included in SFL's consolidated income statement. Instead, the net contribution from these affiliates were recognized as a combination of 'Interest income from associates' and 'Results in associates'.

In SFL's consolidated balance sheet, the total investment the Company has in assets held in such equity method investees is a combination of 'Investment in associates' and 'Amount due from related parties – Long term' as a substantial part of the investments initially undertaken in these associated companies were funded by intercompany loans provided by SFL.

In accordance with the Expected Credit Loss model for assets classified as financial assets under U.S. GAAP, a calculation of a credit loss provision is carried out each quarter on SFL's direct financing lease receivables, amongst other assets, based on historical experience, current conditions and reasonable supportable forecasts, and recorded on the balance sheet with the corresponding change in the provision being recorded on the income statement. At the end of the quarter, the Company and affiliates accounted for as associates, carried a total credit loss provision of approximately \$3.2 million.

Revenue and costs associated with drilling contracts are recorded in accordance with Accounting Standards Codification ("ASC") 606 *Revenue from Contracts with Customers*, which specifies that mobilization and demobilization fees (if applicable) and associated mobilization costs are to be recorded over the days spent drilling during the contracts.

Non-U.S. GAAP Financial Measures

In this press release the Company present additional information and measures in a way it believes will be most meaningful and useful to investors, analysts and others who use the Company's financial information to evaluate its current and expected future cash flows. Some of the measurements the Company use are considered non-U.S. GAAP financial measures under SEC rules and regulations. In this release, SFL presents Adjusted EBITDA which is a non-U.S. GAAP financial measure as defined in SEC Regulation G. The Company believes that this non-U.S. GAAP financial measure, which may be defined and calculated differently by other companies, better explains and enhances the understanding of its business. However, this measure should not be viewed as a substitute for measures determined in accordance with U.S. GAAP.

Adjusted EBITDA is a cash measure for the Company representing the net cash received from operating activities before net interest and capital payments. It is the equivalent of charter hires billable less cash operating expenses. See Appendix 1.

Cautionary Statement Regarding Forward Looking Statements

This press release may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including SFL management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although SFL believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, SFL cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in the forward looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions in the seaborne transportation industry, which is cyclical and volatile, including fluctuations in charter hire rates and vessel values, changes in demand in the markets in which the Company operates, including shifts in consumer demand from oil towards other energy sources or changes to trade patterns for refined oil products, 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, technological innovation in the sectors in which we operate and quality and efficiency requirements from customers, increased inspection procedures and more restrictive import and export controls, changes in the Company's operating expenses, including bunker prices, dry-docking and insurance costs, performance of the Company's charterers and other counterparties with whom the Company deals, the impact of any restructuring of the counterparties with whom the Company deals, timely delivery of vessels under construction within the contracted price, governmental laws and regulations, including environmental regulations, that add to our costs or the costs of our customers, potential liability from pending or future litigation, potential disruption of shipping routes due to accidents, political instability, terrorist attacks, piracy or international hostilities, the length and severity of the ongoing coronavirus outbreak and governmental responses thereto and the impact on the demand for commercial seaborne transportation, drilling rigs and the condition of the financial markets, and other important factors described from time to time in the reports filed by the Company with the United States Securities and Exchange Commission. SFL disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

May 14, 2024

The Board of Directors
SFL Corporation Ltd.
Hamilton, Bermuda

Questions may be directed to SFL Management AS:

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For more information about SFL, please visit its website: www.sflcorp.com

SFL CORPORATION LTD.
FIRST QUARTER 2024 REPORT (UNAUDITED)

INCOME STATEMENT <i>(in thousands of \$ except per share data)</i>	Three months ended		Full year
	Mar 31,	Dec 31,	2023
	2024	2023	(audited)
Charter revenues: sales-type and leaseback assets (excluding charter hire treated as Repayments) ⁽¹⁾	840	916	6,192
Charter revenues: operating leases and rig revenue contracts	220,386	203,162	724,973
Profit share income	5,540	3,389	13,162
Other operating income	2,298	2,106	7,959
Total operating revenues	229,064	209,573	752,286
Gain/(loss) on sale of assets and termination of charters	(17)	-	18,670
Vessel and rig operating expenses	(81,234)	(76,381)	(293,756)
Administrative expenses	(5,461)	(3,793)	(15,565)
Depreciation	(56,878)	(56,390)	(214,062)
Vessel impairment charge	-	-	(7,389)
Total operating expenses	(143,573)	(136,564)	(530,772)
Operating income	85,474	73,009	240,184
Results in associates	778	693	2,848
Interest income from associates	1,138	1,150	4,563
Interest income, other	1,700	2,230	9,073
Interest expense	(42,879)	(42,280)	(167,010)
Interest and valuation gain/(loss) on non-designated derivatives	3,003	(3,867)	(3,109)
Loss on investments in debt and equity securities	(415)	(1,394)	(1,912)
Other financial items	(714)	2,861	2,623
Taxes	(2,783)	(1,034)	(3,323)
Net income	45,302	31,368	83,937
Basic earnings per share (\$)	0.36	0.25	0.67
Weighted average number of shares ⁽²⁾	125,763,259	125,701,236	126,248,912
Common shares outstanding ⁽²⁾	125,908,382	125,701,236	125,701,236

(1) 'Charter revenues: sales-type, direct financing and leaseback assets' are reported net of charter hire classified as 'Repayment of Investment in sales-type, direct financing & leaseback assets' under US GAAP, which for the three months ended March 31, 2024 was \$2.7 million (three months ended December 31, 2023: \$2.8 million; full year 2023: \$13.9 million).

(2) The weighted average number of shares and the number of common shares outstanding excludes approximately 11.8 million shares issued by SFL as part of share lending arrangements and 1.1 million shares held by SFL as treasury stock. The shares are owned by SFL, thus they are excluded in the calculation of earnings per share.

SFL CORPORATION LTD.
FIRST QUARTER 2024 REPORT (UNAUDITED)

BALANCE SHEET <i>(in thousands of \$)</i>	Mar 31, 2024	Dec 31, 2023 <i>(audited)</i>
ASSETS		
<i>Short term</i>		
Cash and cash equivalents ⁽¹⁾	168,153	165,492
Investment in marketable securities	4,382	5,104
Amount due from related parties	6,834	3,532
Investment in sales-type leases, current portion	7,895	20,640
Other current assets	134,443	103,291
<i>Long term</i>		
Vessels, rigs and equipment, net	2,777,855	2,654,733
Vessels and equipment under finance lease, net	563,155	573,454
Capital improvements, newbuildings and vessel deposits	6,447	86,058
Investment in sales-type leases, long term	33,131	35,099
Investment in associates ⁽²⁾	16,515	16,473
Amount due from related parties, long term ⁽²⁾	45,000	45,000
Other long term assets	13,780	22,513
Total assets	3,777,590	3,731,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	577,108	432,918
Amount due to related parties	1,189	2,890
Finance lease liability, current portion	405,486	419,341
Other current liabilities	109,792	114,046
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,630,351	1,713,828
Other long term liabilities	3,307	8,969
Stockholders' equity	1,050,357	1,039,397
Total liabilities and stockholders' equity	3,777,590	3,731,389

(1) Not including cash held by affiliates accounted for as 'Investment in associates'.

(2) One of our affiliates was accounted for as 'Investment in associates' at quarter end. Our investment is a combination of equity classified as 'Investment in associates' and any loans from the Company to the affiliate included within 'Amount due from related parties, long term'.

SFL CORPORATION LTD.
FIRST QUARTER 2024 REPORT (UNAUDITED)

STATEMENT OF CASHFLOWS <i>(in thousands of \$)</i>	Three months ended		Full year
	Mar 31, 2024	Dec 31, 2023	2023 <i>(audited)</i>
OPERATING ACTIVITIES			
Net income	45,302	31,368	83,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,314	58,083	220,365
Vessel impairment charge	-	-	7,389
Adjustment of derivatives to fair value recognised in net income	(1,822)	5,109	8,374
Loss on investments in debt and equity securities	415	1,394	1,912
Results in associates	(778)	(693)	(2,848)
(Gain)/loss on sale of assets and termination of charters	17	-	(18,670)
Repayment of investment in sales-type leases & leaseback assets	2,732	2,786	13,906
Other, net	832	118	2,553
Change in operating assets and liabilities	(41,007)	(17,245)	26,171
Net cash provided by operating activities	63,005	80,920	343,089
INVESTING ACTIVITIES			
Purchase of vessels, capital improvements, newbuildings and deposits	(90,090)	(63,621)	(264,418)
Proceeds from sale of vessels and termination of charters	11,983	-	156,200
Cash received from associates	731	736	2,919
Other assets / investments	(2,980)	2,655	1,405
Net cash used in investing activities	(80,356)	(60,230)	(103,894)
FINANCING ACTIVITIES			
Repayments of finance lease liability	(13,855)	(13,621)	(53,654)
Proceeds from long and short term debt	165,703	133,131	944,585
Repayment of long and short term debt	(98,074)	(60,836)	(781,122)
Repurchase of Company bonds	-	-	(205,848)
Expenses paid in connection with securing finance	(784)	(201)	(12,448)
Principal settlements of cross currency swaps, net	-	-	(20,412)
Cash paid for share repurchase	-	-	(10,174)
Cash dividends paid	(32,978)	(31,699)	(122,992)
Net cash provided by/ (used in) financing activities	20,012	26,774	(262,065)
Net increase/ (decrease) in cash and cash equivalents	2,661	47,464	(22,870)
Cash and cash equivalents at beginning of period	165,492	118,028	188,362
Cash and cash equivalents at end of period	168,153	165,492	165,492

**ASSOCIATED COMPANIES ACCOUNTED FOR AS INVESTMENT IN ASSOCIATES
FIRST QUARTER 2024 (UNAUDITED)**

Condensed income statement data for the three months ended March 31, 2024

<i>(in thousands of \$)</i> <i>Ownership share presented</i>	River Box Holding Inc 49.9%
Charter revenues - direct financing leases (net of charter hire treated as Repayment of investment in direct financing leases) ⁽¹⁾	4,427
Interest expense, related party ⁽²⁾	(568)
Interest expense, other	(3,118)
Other items	37
Net income ⁽³⁾	778

- (1) 'Charter revenues – direct financing leases' are reported net of charter hire classified as 'Repayment of investment in direct financing leases' under US GAAP, which for the three months ended March 31, 2024 was \$3.3 million.
- (2) 'Interest expense, related party' from this affiliate is included in the Company's consolidated income statement as 'Interest income from associates'. For the three months ended March 31, 2024, the Company recorded approximately \$1.1 million from this associate. In the above table, the Company's 49.9% share of River Box Holding's income statement is shown.
- (3) 'Net income from this affiliate appears in the Company's consolidated income statement as 'Results in associates'

Condensed balance sheet data as of March 31, 2024

<i>(in thousands of \$)</i> <i>Ownership share presented</i>	River Box Holding Inc (1) 49.9%
Cash and cash equivalents	2,463
Investment in direct financing leases including current portion	231,306
Other assets	43
Total assets	233,812
Short term and long term portions of lease liability	194,032
Other current liabilities	810
Long term loans from shareholders, net ⁽²⁾	22,455
Stockholder's equity ⁽³⁾	16,515
Total liabilities and stockholder's equity	233,812

- (1) The numbers represent the Company's relative share of 49.9% in River Box Holding Inc
- (2) The Company has a \$45.0 million loan to River Box included within 'Amount due from related parties, long term'. In the above table, the Company's 49.9% share of River Box Holding's balance sheet is shown
- (3) 'Stockholder's equity' from affiliates appears in the Company's consolidated balance sheet as 'Investment in associates'

**APPENDIX 1: RECONCILIATION OF ADJUSTED EBITDA
FIRST QUARTER 2024 (UNAUDITED)**

Adjusted EBITDA <i>(in thousands of \$)</i>	Three months ended	
	Mar 31, 2024	
	Company (excluding associates)	49.9% owned associates
Net cash provided by operating activities	63,005	3,765
Non cash movements in other assets and liabilities	43,862	318
Interest related to Non- Designated Derivatives	(1,181)	-
Interest expense	41,001	3,118
Interest income, other	(1,700)	-
Interest (income)/expense from associates	(1,138)	568
Adjusted EBITDA ⁽¹⁾	143,849	7,769

(1) 'Adjusted EBITDA' is a non-U.S. GAAP measure. It represents cash receipts from operating activities before net interest and capital payments