

SFL Corporation Ltd.
Q1 2023 presentation

May 15, 2023



Forward Looking Statements



This presentation contains 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 including fluctuations in charter hire rates and vessel values, changes in demand in the markets in which the Company operates, changes in demand resulting from changes in the Organization of the Petroleum Exporting Countries' petroleum production levels and worldwide oil consumption and storage, developments regarding the technologies relating to oil exploration, changes in market demand in countries which import commodities and finished goods and changes in the amount and location of the production of those commodities and finished goods, increased inspection procedures and more restrictive import and export controls, changes in the Company's operating expenses, including bunker prices, dry-docking and insurance costs, performance of our 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, 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, including any changes to energy and environmental policies and changes attendant to trade conflicts, potential disruption of shipping routes due to accidents or political events, the length and severity of the ongoing coronavirus outbreak and its 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.

Q1 2023 Highlights



GROSS REVENUE⁽¹⁾
\$182m

- Approximately 86% from long term charters
- Adjusted EBITDA⁽²⁾ of \$110m

NET INCOME
\$6.3m

- Earnings per share of \$0.05
- One-off effects and temporary lower results during Hercules yard stay

DIVIDEND
\$0.24/share

- 77th consecutive quarterly dividend
- 11% dividend yield⁽³⁾

BACKLOG⁽⁴⁾
\$3.7bn

- Added >\$200m of backlog so far in 2023
- Significant earnings contribution from Q3 onwards

1) Gross revenue includes charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'investment in associates' and proportionate charter hire from partly owned vessels

2) 'Adjusted EBITDA' is a non- U.S. GAAP measure. It represents cash receipts from operating activities before net interest and capital payments. For details please see SFL's first quarter preliminary earnings release Appendix 1: Reconciliation of Adjusted EBITDA

3) Quarterly cash dividend (annualized) divided by SFL's closing share price of \$8.71 on May 12, 2023

4) Fixed rate backlog as of March 31, 2023 including subsequent sales and acquisitions, fully owned vessels, rigs and 100% of four partially owned 19,000 TEU container vessels, which SFL also manages. The backlog excludes charterers' extension options and purchase/cancellation options (if applicable)

Recent Events



NEW PCTC CHARTERS

- 3 year contracts for two PCTCs with Volkswagen Group
- Added backlog of approximately \$155m

HERCULES CONTRACT

- New \$50m contract with Galp Energia in Namibia from Q4 2023
- Hercules employed through Q1 2024

NEW FINANCINGS

- \$1 billion of financings secured in 2023
- All capex, including car carrier newbuilding program fully financed

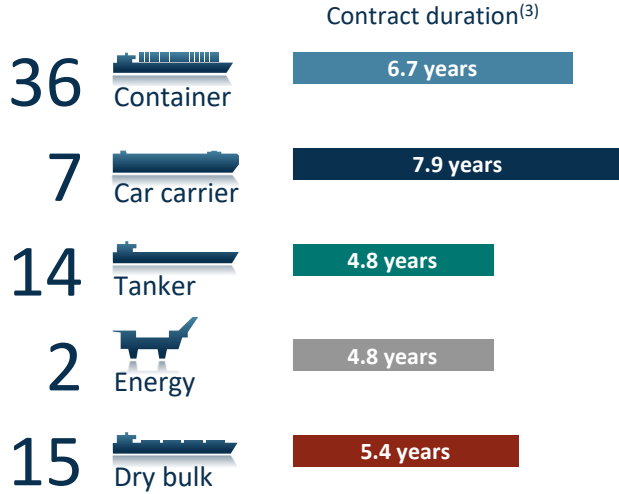
FLEET RENEWAL

- Sale of 2x older suezmaxes and 2x older chemical tankers
- ~\$3m net book gain in Q1 and ~\$6m book gain expected in Q2

SHARE BUYBACK

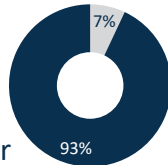
- Board authorization of \$100m share buyback program
- Valid until end of Q2 2024

PORTFOLIO⁽¹⁾



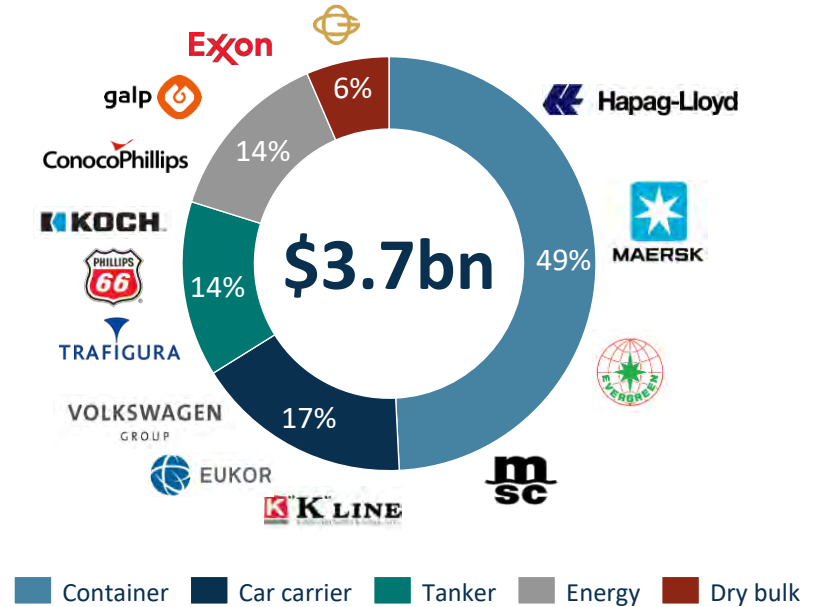
CHARTER HIRE Q1 2023

Bareboat charter



Time charter

CONTRACTED REVENUE⁽²⁾



1) Including partly owned vessels and acquired vessels yet to be delivered to SFL

2) Fixed rate backlog as of March 31, 2023 including subsequent sales and acquisitions, fully owned vessels, rigs and 100% of four partially owned 19,000 TEU container vessels, which SFL also manages. The backlog excludes charterers' extension options and purchase/cancellation options (if applicable)

3) Average charter term weighted by charter revenues and excluding charterer option periods, and adjusted for subsequent sales and acquisitions

Continuing To Add New High Quality Customers



Customers with new / add on business since 2021



- World's fifth largest container shipping line with a market share of 7%
- Publicly listed with a market cap of ~\$38bn
- Rated Ba2 / BB+

% of contracted revenue



- World's second largest container shipping line
- Publicly listed with a market cap of ~\$29bn
- Rated Baa2 / BBB+



- One of the world's largest independent E&P company based on production and proved reserves
- Publicly listed with a market cap of ~\$120bn
- Rated A2 / A-



- One of the world's leading makers of automobiles and commercial vehicles
- Publicly listed with a market cap of ~\$80bn
- Rated A3 / BBB+



- One of the largest privately held companies in the US
- Industrial conglomerate operating in several different end markets
- Rated Aa3 / AA-



- Leading liner operator
- Publicly listed with a market cap of ~\$7bn
- Rated BBB+ (Japanese Rating Agency)



- One of the world's largest charterers of dry and wet shipping tonnage
- World's second largest oil trader
- Privately held



- Leading car carrier operator privately owned by Hyundai / Kia (20%) and Wallenius Wilhelmsen (80%)
- Owns and operates around 130 vessels



- One of the world's largest international oil and gas companies
- Publicly listed with a market cap of ~\$430bn
- Rated Aa2 / AA-



- Portuguese energy company with global upstream, midstream, downstream and renewable operations
- Publicly listed with a market cap of ~\$10bn





- MSC, world's largest container line (17%)
- Golden Ocean (6%)
- Evergreen, world's sixth largest container line (4%)
- Phillips 66 (<1%)
- Landbridge (<1%)



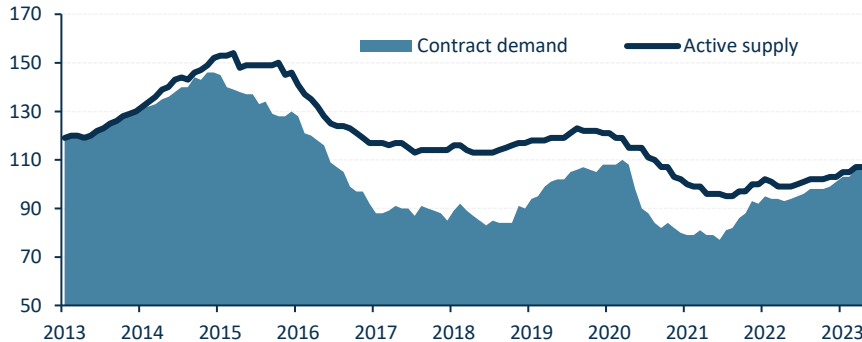
Rigs Perfectly Positioned For A Booming Market



KEY DETAILS AND EMPLOYMENT		2023	2024	2025 - 2028
	Linus CJ70, HE jack up	ConocoPhillips, Norway (market indexed rate resetting every six months)		
	Hercules 6G UDW, HE	SPS	Exxon, Canada Galp, Namibia	Commercial discussions ongoing

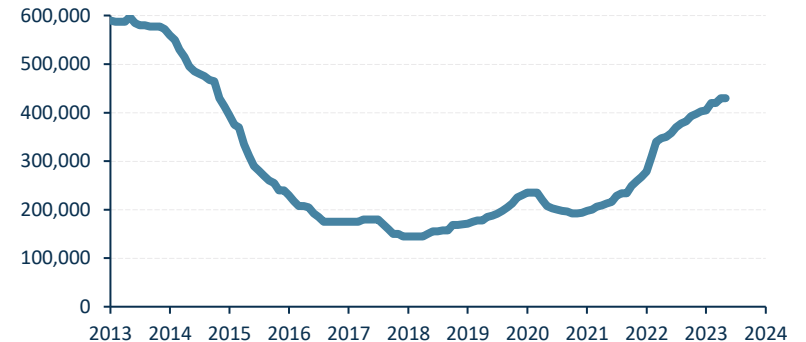
TIGHTENING MARKET BALANCE FOR UDW RIGS...

of rigs



LEADING TO A STRONG RECOVERY IN UDW RATES

UDW day-rates (USD per day)

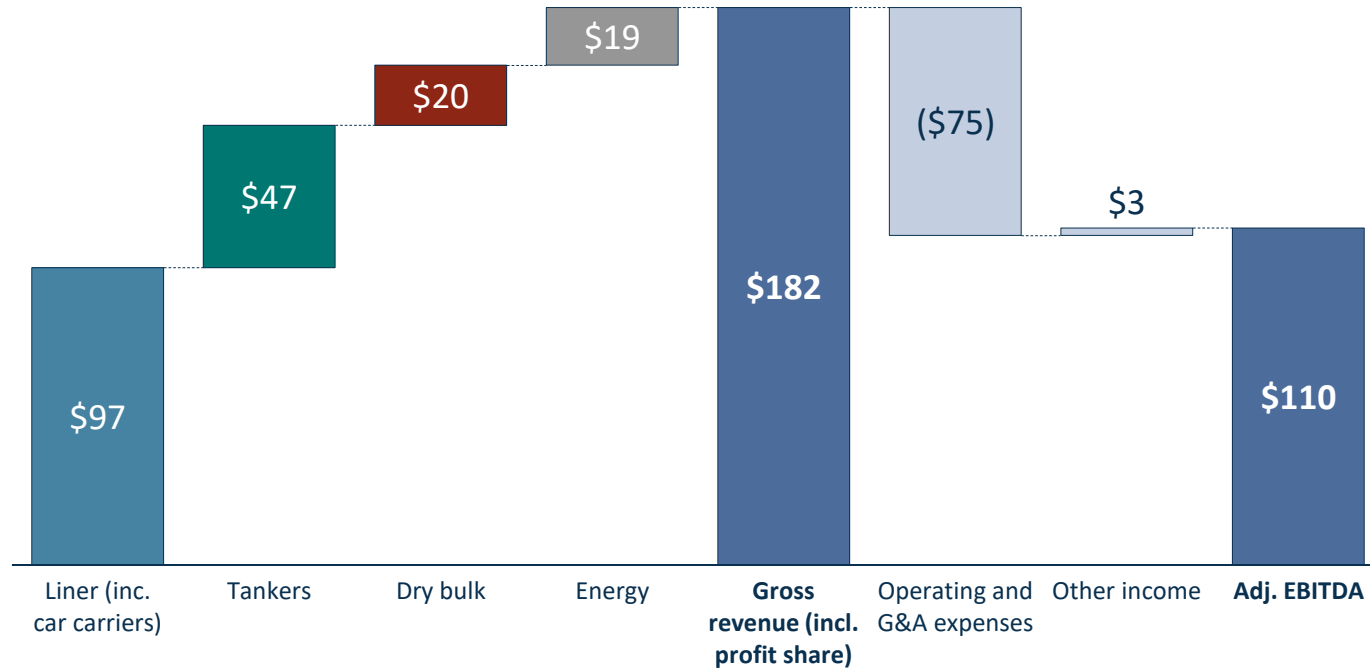


SFL Operational Performance



ADJUSTED EBITDA Q1 2023 BREAKDOWN⁽¹⁾

In millions



1) Pro-forma illustration of cash flow is not as accounted for under US GAAP. This is used as an internal guideline to assess the Company's performance. Note that figures are net of extraordinary and non-cash items, and are including charter hire from assets in 100% owned subsidiaries classified as 'Investment in associates'

Income Statement



(in thousands of \$ except per share data)

	Three months ended	
	Mar 31, 2023	Dec 31, 2022
Charter revenues: operating leases and revenue contracts	166,403	188,892
Charter revenues: sales-type, direct financing and leaseback assets (excluding charter hire treated as Repayments)	1,929	2,038
Profit share income	4,934	6,887
Total operating revenues	173,266	197,817
Gain on sale of assets and termination of charters	10,056	-
Vessel and rig operating expenses	(69,960)	(71,133)
Administrative expenses	(4,995)	(3,381)
Depreciation	(51,041)	(48,923)
Vessel impairment charge	(7,389)	-
Total operating expenses	(133,385)	(123,437)
Operating income	49,937	74,380
Results in associates	697	713
Interest income from associates	1,125	1,150
Interest income, other	2,080	2,043
Interest expense	(39,052)	(34,828)
Amortization of deferred charges	(1,813)	(2,294)
Gain on Investments in debt and equity securities	248	5,078
Interest and valuation gain on non-designated derivatives	(5,806)	318
Other financial items	(1,084)	1,894
Net income	6,332	48,454
Basic earnings per share (\$)	0.05	0.38

Q1 income

- \$182m of charter hire, including share of revenue from associates and those classified as repayment and profit share
- \$4.9m of profit share from scrubber fuel savings
- No income from Hercules due to SPS yard stay
- Gain of \$10m on the sale of one suezmax and a \$7.4m impairment related to 2x chemical tankers

Financial items

- \$7.4m non cash loss due to negative mtm on derivatives

Net income

- \$6.3m or \$0.05 per share

Balance Sheet



(in thousands of \$)

	Mar 31, 2023	Dec 31, 2022
ASSETS		
<i>Short term</i>		
Cash and cash equivalents	185,193	188,362
Investment in marketable securities	7,100	7,283
Amount due from related parties	2,819	4,392
Investment in sales-type, direct financing & leaseback assets, current portion	15,349	15,432
Other current assets	87,285	81,513
<i>Long term</i>		
Vessels and equipment, net	2,554,976	2,646,389
Vessels and equipment under finance lease, net	604,577	614,763
Capital improvements, newbuildings and vessel deposits	121,853	97,860
Investment in sales-type, direct financing & leaseback assets, long term	99,783	103,591
Investment in associates	16,508	16,547
Amount due from related parties, long term	45,000	45,000
Other long term assets	39,366	40,198
Total assets	3,779,809	3,861,330
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	647,570	921,270
Amount due to related parties	1,509	1,936
Finance lease liability, current portion	54,284	53,655
Other current liabilities	81,114	79,750
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,497,659	1,279,786
Finance lease liability, long term	405,486	419,341
Other long term liabilities	23,495	14,361
Stockholders' equity	1,068,692	1,091,231
Total liabilities and stockholders' equity	3,779,809	3,861,330

Cash and cash equivalents

- \$185m at quarter end
- \$83m of senior financing on two debt free vessels expected to be drawn in Q2 2023

Remaining capex

- ~\$200m of remaining capex on four car carriers under construction of which senior financing facilities of \$300m has been secured

Short term debt

- ~\$300m of rig senior debt refinanced subsequent to Q1
- ~\$85m of convertible bonds paid down in May 2023

Capital structure⁽¹⁾

- Book equity ratio of 28.3%

1) Book values as of March 31, 2023

