

**SFL Corporation Ltd.**  
**Q3 2019 presentation**

November 21, 2019



# Forward Looking Statements

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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 our 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 we operate, changes in demand resulting from changes in OPEC's petroleum production levels and world wide 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 our operating expenses, including bunker prices, dry-docking 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 or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

# Q3 2019 Highlights



DIVIDEND  
\$0.35/share

- 63rd consecutive quarter of profits and dividends
- 9.7% dividend yield<sup>(1)</sup>

CHARTER HIRE<sup>(2)</sup>  
\$152m

- ~90% from long term charters
- Adjusted EBITDA<sup>(3)</sup> of \$117m

NET INCOME  
\$3.8m

- Earnings per share of \$0.04
- Non-cash vessel impairments of ~\$26m

ADDED BACKLOG  
~\$160m

- 6x additional vessels
- Charter extensions

1) Quarterly cash dividend (annualized) divided by SFL's share price of \$14.46 as of November 20, 2019

2) Charter hire include total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'

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

## Recent Events

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### ACQUISITION OF 3X NEW ECO VLCCS

- 5 year contracts to an affiliate of Hunter Group ASA
  - ~\$100m in added fixed rate charter backlog
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### DELIVERY OF 3X FEEDER CONTAINER VESSELS

- 5.5 year contracts to a leading European container liner
  - ~\$40m in added fixed rate charter backlog
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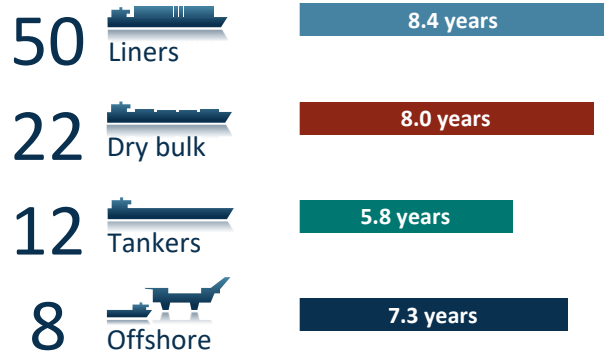
### SCRUBBER INVESTMENT IN 7X DRY BULK VESSELS

- Amendment to existing time charter contracts with Golden Ocean
  - ~\$20 million in added fixed rate charter backlog
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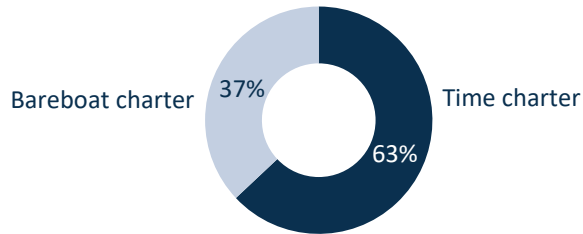
### SALE OF FRONTLINE LTD. SHARES

- >\$100 million of cash generated from the sale of FRO shares subsequent to the third quarter

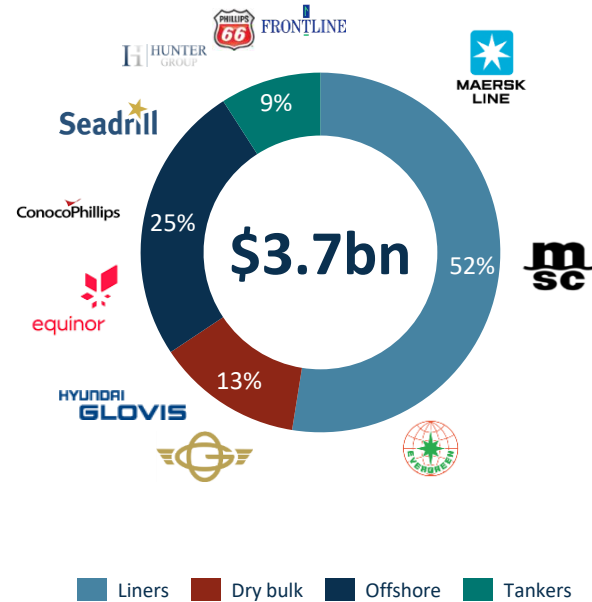
## CURRENT FLEET



## CHARTER HIRE Q3 2019<sup>(3)</sup>



## CONTRACTED REVENUE<sup>(1)</sup>



1) As of September 30, 2019 excluding charterer options and adjusted for subsequent sales and acquisitions. Contracted revenue excludes profit share. Vessels on charter to a subsidiary of Solstad Offshore are excluded from the charter backlog. ConocoPhillips and Equinor are shown in the above illustration as they are sub-charterers of two rigs on charter to Seadrill

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

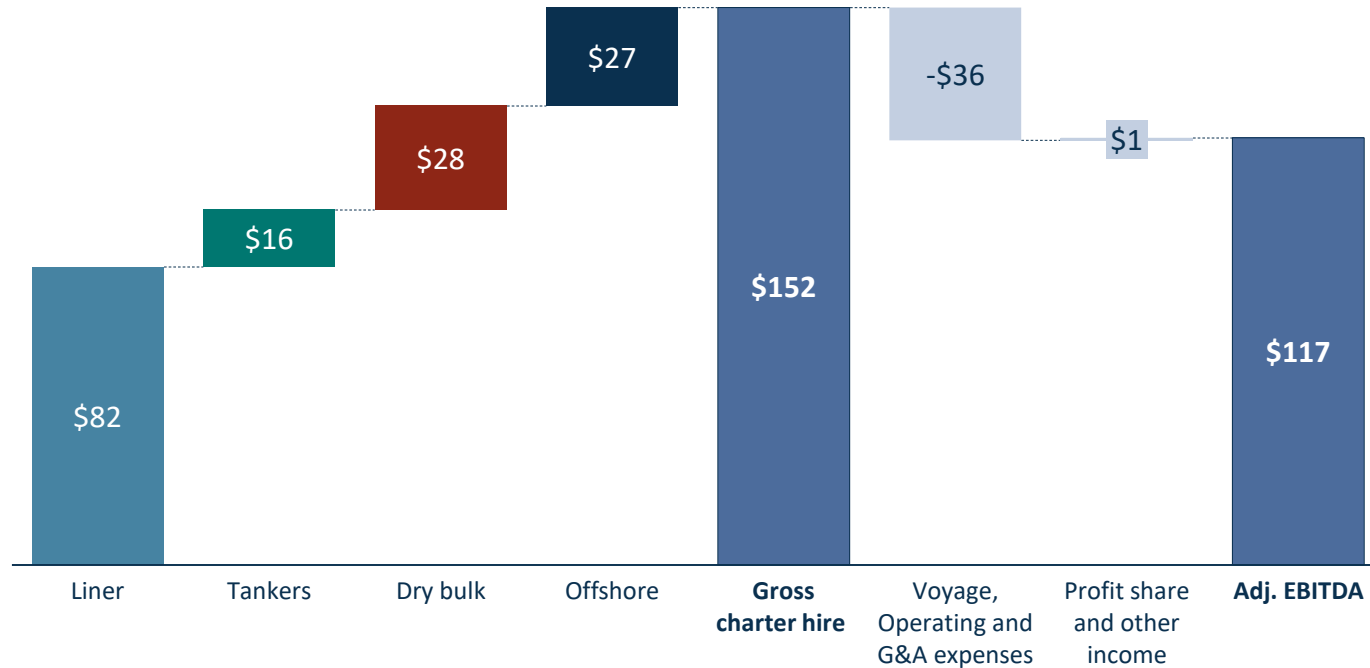
3) Charter hire include total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'

# SFL Operational Performance



## ADJUSTED EBITDA Q3 2019 BREAKDOWN<sup>(1)</sup>

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



<i>(in thousands of \$ except per share data)</i>	<i>Three months ended</i>	
	<b>Sep 30, 2019</b>	<b>Jun 30, 2019</b>
Charter revenues - operating lease	94,079	93,593
Charter revenues - finance lease (net of charter hire treated as Repayment of investment in finance leases and vessel loans)	17,257	16,756
<b>Profit share income</b>	<b>191</b>	<b>553</b>
<b>Total operating revenues</b>	<b>111,527</b>	<b>110,902</b>
Vessel operating expenses	(33,937)	(33,075)
Administrative expenses	(2,060)	(2,556)
Depreciation	(29,436)	(29,178)
<b>Vessel impairment charge</b>	<b>(25,913)</b>	<b>-</b>
<b>Total operating expenses</b>	<b>(91,346)</b>	<b>(64,809)</b>
<b>Operating income</b>	<b>20,181</b>	<b>46,093</b>
Results in associates	4,145	4,251
Interest income from associates	3,532	3,532
Interest income, other	1,183	1,727
Interest expense	(34,149)	(33,676)
Amortization of deferred charges	(1,977)	(1,951)
Income (expense) related to non-designated derivatives	(549)	(3,938)
<b>Mark-to-market of equity securities</b>	<b>12,519</b>	<b>16,794</b>
Other financial items	(1,063)	(4,711)
<b>Net income</b>	<b>3,822</b>	<b>28,121</b>
<b>Basic earnings per share (\$)</b>	<b>0.04</b>	<b>0.26</b>

## Profit share income

- Small profit share contribution of \$0.2m from Golden Ocean
- No profit share from Frontline
- VLCC spot rates above profit share threshold of \$20,000 per day so far in Q4

## Vessel impairment charge

- Recorded impairment of \$25.0 related to two 2005 built feeder container vessels
- \$0.9m impairment related to an offshore vessel with Solstad

## Mark-to-market of equity securities

- \$12.5m gain primarily related to increased market value of 11 million Frontline Ltd. shares

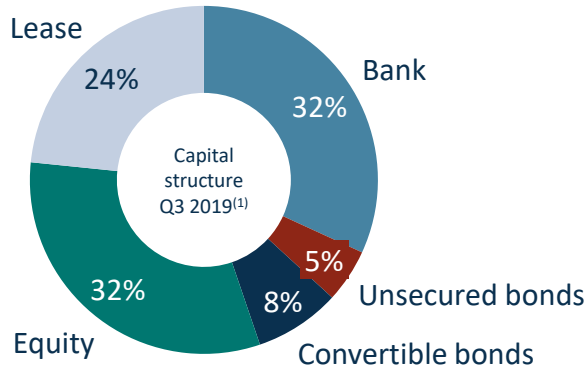
## STRONG CASH POSITION AND DIVERSIFIED FUNDING

\$154m

CASH AND CASH EQUIVALENTS

\$127m

MARKETABLE SECURITIES



## SCRUBBER INVESTMENTS INCREASING CHARTER BACKLOG

- ~\$70m of committed capex for scrubbers
  - ~\$40m of remaining capex as of Q3 2019
- Increasing fixed rate charter backlog by ~\$180m
- Additional earnings upside from fuel savings:
  - Up to 70% of fuel savings on four large container vessels
- 36 vessels with scrubbers upon completion
- In active discussions for additional units

1) Based on book value of interest bearing debt as of September 30, 2019 incl. bonds, capital lease obligations and debt in subsidiaries accounted for as associates. Equity value based on SFL share price of \$14.46 as of November 20, 2019



