

**SFL Corporation Ltd.**  
**Q4 2019 presentation**

February 18, 2020



# 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 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.

# Q4 2019 Highlights



DIVIDEND  
\$0.35/share

- 64th consecutive quarter of profits and dividends
- 10.4% dividend yield<sup>(1)</sup>

CHARTER HIRE<sup>(2)</sup>  
\$159m

- >90% from long term charters
- Adjusted EBITDA<sup>(3)</sup> of \$123m

NET INCOME  
\$24m

- Earnings per share of \$0.22

ADDED BACKLOG  
~\$224m

- Delivery of two new ECO VLCCs
- Charter extensions on three large container vessels
- Investment in scrubbers on seven Capesize vessels

1) Quarterly cash dividend (annualized) divided by SFL's share price of \$13.45 as of February 17, 2020

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 fourth quarter preliminary earnings release Appendix 1: Reconciliation of Adjusted EBITDA

## Recent Events

---



### SALE OF FRONTLINE LTD. SHARES

- >\$100 million of cash generated from the sale of FRO shares
- 

### DELIVERY OF TWO NEW ECO VLCCS

- 5 year contracts to an affiliate of Hunter Group ASA
  - Total backlog increase from transaction of ~\$100m
- 

### SCRUBBER INVESTMENT IN SEVEN CAPESIZES

- Amendment to existing time charter contracts with Golden Ocean
  - ~\$20 million in added fixed rate charter backlog
- 

### PROFIT SHARE

- \$3.9 million of profit share on 3x VLCCs and 8x Capesizes
- Additional profit share from scrubber fuel savings expected in 2020

## Recent Events

---



### EXTENSION OF THREE CONTAINER VESSELS

- Extension of time charters with Maersk Line
- Total backlog increase from transaction of ~\$134m

---

### SALE OF OLDER VLCC AND THREE OSVS

- VLCC *Front Hakata* sold for net proceeds of ~\$30m
- Two OSVs sold to a third party, one OSV sold for green recycling

---

### IMPAIRMENT ON OFFSHORE VESSELS

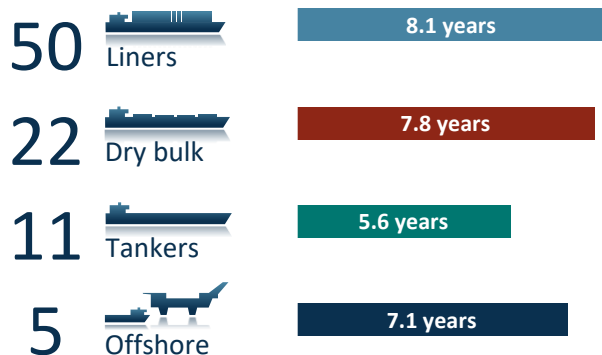
- \$34m non-cash impairment recorded in Q4 2019
- No impact on distribution capacity

---

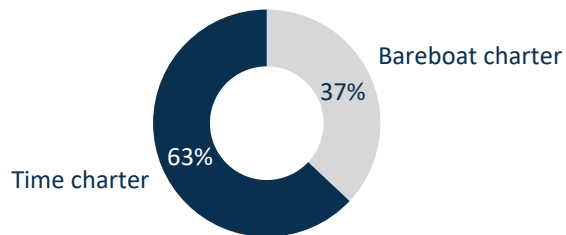
### ISSUANCE OF NEW NOK BOND

- Successful placement of NOK 600m senior unsecured bond
- Swapped to USD at a fixed all in interest of 5.9%

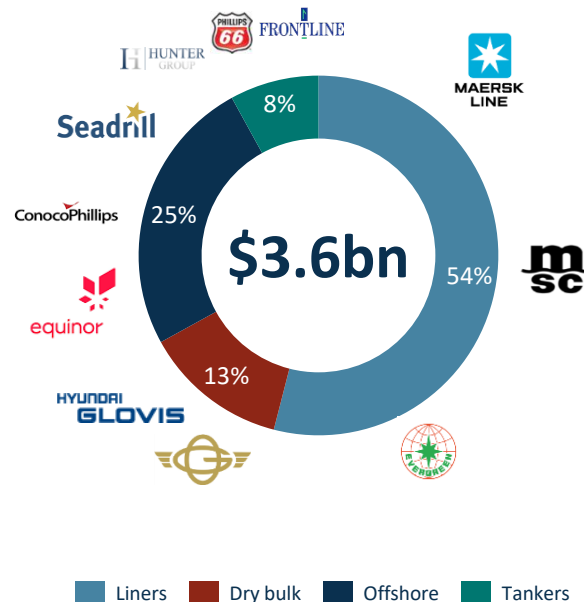
## CURRENT FLEET



## CHARTER HIRE Q4 2019<sup>(3)</sup>



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



1) As of December 31, 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

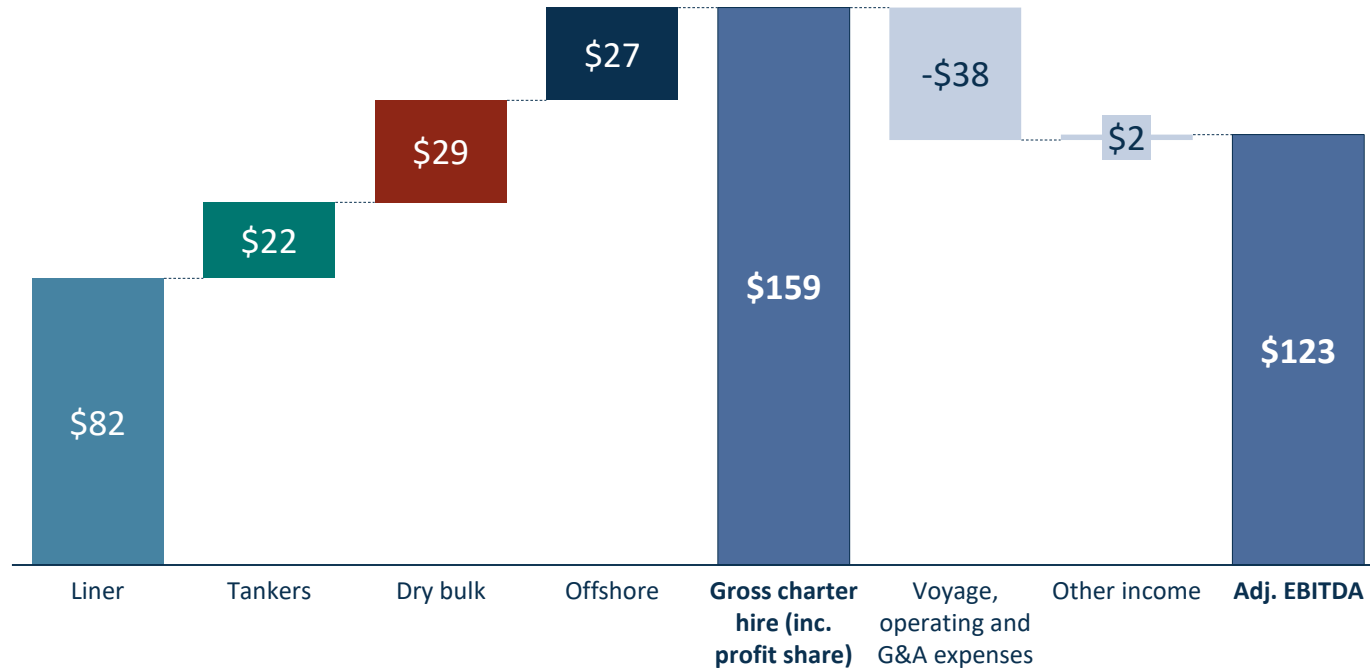
3) Charter hire include total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment in associates'

# SFL Operational Performance



## ADJUSTED EBITDA Q4 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>	
	<i>Dec 31, 2019</i>	<i>Sep 30, 2019</i>
Charter revenues - operating lease	96,385	94,079
Charter revenues - finance lease (net of charter hire treated as Repayment of investment in finance leases)	19,615	17,257
<b>Profit share income</b>	<b>3,877</b>	<b>191</b>
<b>Total operating revenues</b>	<b>119,877</b>	<b>111,527</b>
Vessel operating expenses	(34,985)	(33,937)
Administrative expenses	(2,238)	(2,060)
Depreciation	(28,297)	(29,436)
<b>Vessel impairment charge</b>	<b>(34,141)</b>	<b>(25,913)</b>
<b>Total operating expenses</b>	<b>(99,661)</b>	<b>(91,346)</b>
<b>Operating income</b>	<b>20,216</b>	<b>20,181</b>
Results in associates	3,918	4,145
Interest income from associates	3,532	3,532
Interest income, other	1,527	1,183
Interest expense	(34,844)	(34,149)
Amortization of deferred charges	(1,923)	(1,977)
<b>(Gain) or loss on Investments in debt and equity securities</b>	<b>27,859</b>	<b>12,519</b>
Income (expense) related to non-designated derivatives	3,908	(549)
Other financial items	(551)	(1,063)
<b>Net income</b>	<b>23,642</b>	<b>3,822</b>
<b>Basic earnings per share (\$)</b>	<b>0.22</b>	<b>0.04</b>

## Profit share income

- \$3.3m from three VLCCs on charter to Frontline
- \$0.6m from eight Capesizes on charter to Golden Ocean

## Vessel impairment charge

- Non-cash impairment of \$34.1m relating to five offshore vessels to Solstad

## Gain on investments in debt and equity securities

- Net positive contribution of \$27.9m primarily related to increased market value of shares in Frontline



# Balance Sheet



(in thousands of \$)

	Dec 31, 2019	Sep 30, 2019
<b>ASSETS</b>		
<i>Short term</i>		
Cash and cash equivalents	199,521	138,332
Restricted cash	3,495	-
Investment in marketable securities	74,079	126,772
Amount due from related parties	22,399	14,184
Investment in finance leases and vessel loans, current portion	56,189	50,609
Other current assets	34,804	28,407
<i>Long term</i>		
Vessels and equipment, net	1,404,705	1,447,706
Vessels and equipment under finance lease, net	714,476	723,453
Investment in finance leases and vessel loans	938,198	836,637
Investment in associates	42,161	38,243
Amount due from related parties - Long term	327,616	328,103
Other long term assets	67,727	67,920
<b>Total assets</b>	<b>3,885,370</b>	<b>3,800,366</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	253,059	165,539
Amount due to related parties	3,980	1,744
Finance lease liability, current portion	68,874	70,705
Other current liabilities	39,923	35,391
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,355,029	1,322,981
Capital lease obligations - Long term	1,037,553	1,054,734
Other long term liabilities	20,583	33,427
Stockholders' equity	1,106,369	1,115,845
<b>Total liabilities and stockholders' equity</b>	<b>3,885,370</b>	<b>3,800,366</b>

## Cash and cash equivalents

- \$225m including restricted cash and cash held at wholly owned non-consolidated subsidiaries

## Marketable securities

- Includes \$44m of Frontline shares where SFL has a \$37m purchase obligation

## Capital structure<sup>(1)</sup>

- 30% equity
- 35% bank debt
- 23% leases
- 12% bonds

1) Based on book value of interest bearing debt as of December 31, 2019 incl. bonds, capital lease obligations and debt in subsidiaries accounted for as associates. Equity value based on SFL share price of \$13.45 as of February 17, 2020

