

SFL Corporation Ltd.
Q3 2020 presentation

November 12, 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 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, including any potential restructuring of Seadrill Limited, 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 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.

Q3 2020 Highlights



DIVIDEND
\$0.15/share

- 67th consecutive quarterly dividend
- 7.8% dividend yield⁽¹⁾

CHARTER HIRE⁽²⁾
\$157m

- More than 90% from long term charters
- Adjusted EBITDA⁽³⁾ of \$117m

LIQUIDITY
\$206m

- \$206m of cash at quarter end, excl. \$22m in 100% owned associates
- \$33m of marketable securities

CHARTER BACKLOG
\$3.2bn

- \$2.4bn from shipping assets
- Added more than \$250m to the backlog last twelve months

1) Quarterly cash dividend (annualized) divided by SFL's share price of \$7.68 as of November 11, 2020

2) Charter hire includes total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'investment/deficit 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



PROFIT SHARE CONTRIBUTION

- \$4.8m from VLCCs
 - \$0.8m from fuel savings on container vessels
-

CAR CARRIER CHARTERS

- Improved market fundamentals through Q3
 - Two previously idle vessels commenced new charters in Q4
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REDUCING RIG DEBT

- Repurchase of the West Taurus bank debt at a discount
 - Amended flexible terms relating to the financing of the West Linus
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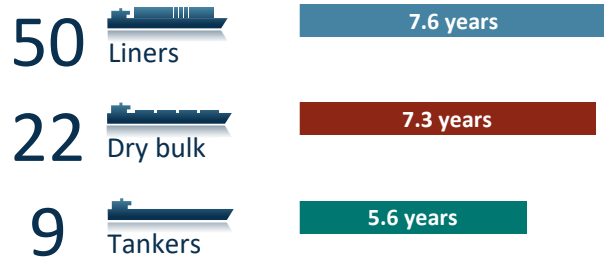
REDELIVERY OF 3x VLCCs

- Two VLCCs delivered in August, one VLCC delivered in November
- Very attractive risk-adjusted returns

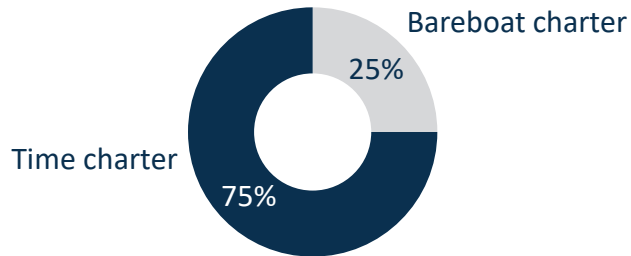
The SFL Shipping Portfolio (excl. Offshore Assets)



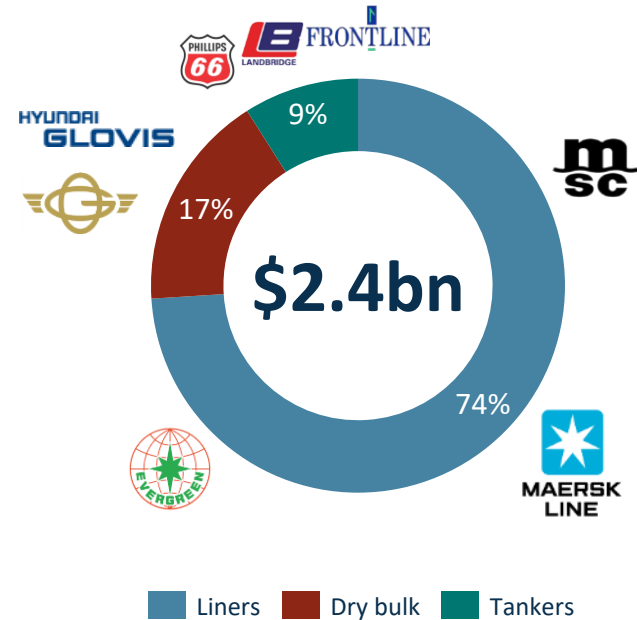
CURRENT FLEET



CHARTER HIRE Q3 2020⁽³⁾



CONTRACTED REVENUE, SHIPPING⁽¹⁾



1) As of September 30, 2020 adjusted for subsequent sales and acquisitions, excluding charterer options. Contracted revenue excludes profit share
 2) Average charter term weighted by charter revenues and excluding charterer option periods, and adjusted for subsequent sales and acquisitions
 3) Charter hire excludes revenue from offshore rigs

RIGS AND CHARTER STRUCTURE



West Linus

- Harsh Environment (“HE”) J/U
- 2014-built
- BB to Seadrill until 2029⁽¹⁾
- On contract with an oil major until December 2028



West Hercules

- 6th generation HE Semi-submersible
- BB to Seadrill until 2024⁽¹⁾
- On consecutive contracts with an oil major since 2018

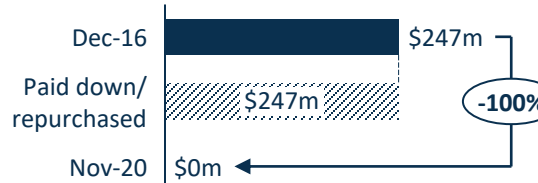
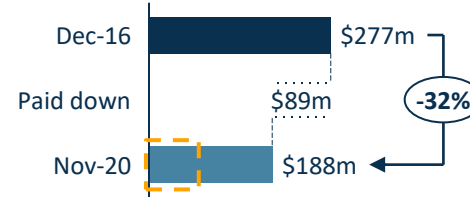
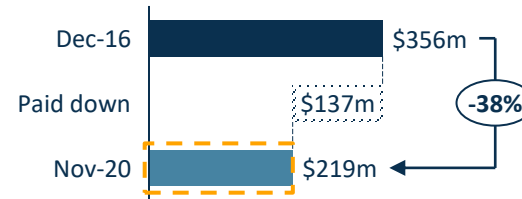


West Taurus

- 6th generation ‘standard’ Semi-submersible
- BB to Seadrill until 2024⁽¹⁾
- Currently idle

DEBT PER RIG⁽²⁾

Guaranteed by SFL Corp.



FINANCING STATUS⁽²⁾

- LIBOR + 2.75%
- Maturity Q2 2023
- Guaranteed by SFL Corp.

- LIBOR + 2.75%
- Maturity Q2 2023
- \$83m guarantee from SFL Corp.

- Debt free

1) Seadrill has disclosed that it has appointed financial and legal advisors to evaluate comprehensive restructuring alternatives to reduce debt service costs and overall liabilities, including leases. While no assurances can be provided with regards to the outcome of the Seadrill restructuring and negotiations, SFL continues to have constructive dialogue with Seadrill and the relevant financing banks

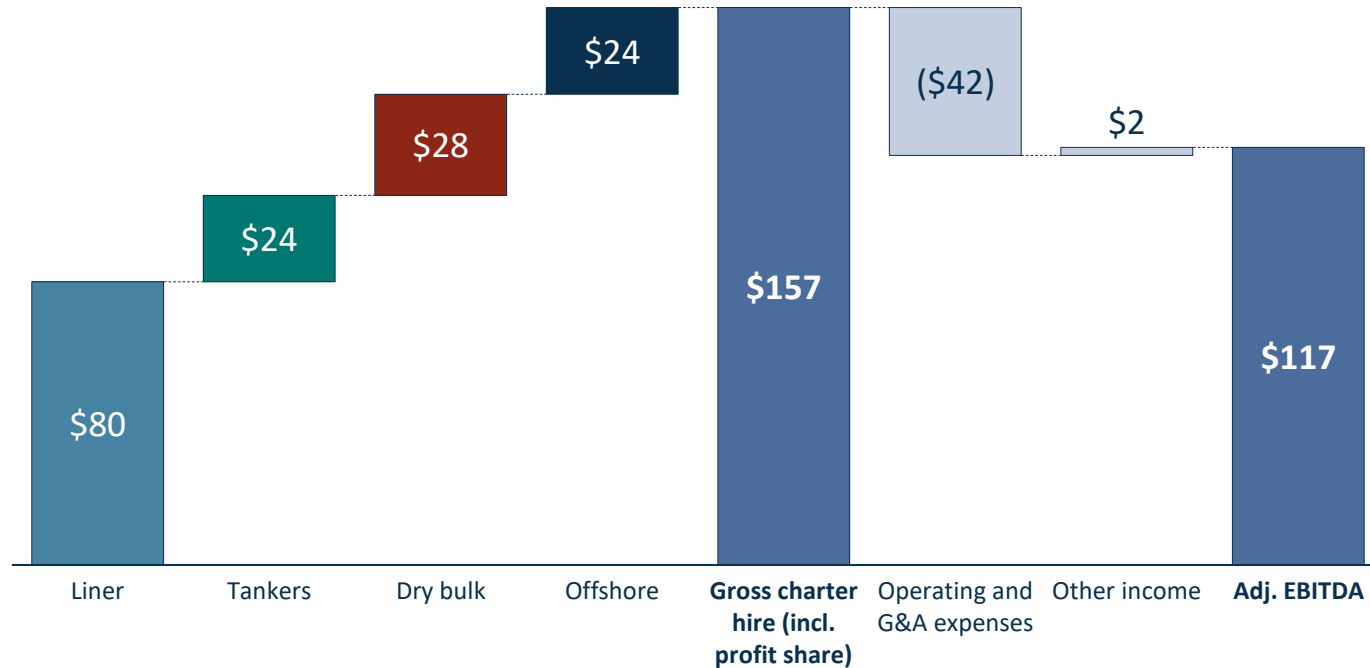
2) As of November 12, 2020

SFL Operational Performance



ADJUSTED EBITDA Q3 2020 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



<i>(in thousands of \$ except per share data)</i>	<i>Three months ended</i>	
	<i>Sep 30, 2020</i>	<i>Jun 30, 2020</i>
Charter revenues - operating lease	90,740	94,427
Charter revenues - sales-type, direct financing and leaseback assets (net of charter hire treated as Repayments)	19,381	18,868
Profit share income, vessels	4,856	4,495
Profit share income, scrubber fuel-cost savings	797	675
Total operating revenues	115,774	118,465
Gain (loss) on sale of assets and termination of charters	-	(25)
Vessel operating expenses	(39,093)	(38,374)
Administrative expenses	(2,675)	(2,533)
Depreciation	(27,861)	(28,125)
Operating income/(loss)	46,145	49,408
Results in associates	(3,118)	3,734
Interest income from associates	3,532	3,532
Interest income, other	17	315
Interest expense	(28,044)	(32,428)
Amortization of deferred charges	(2,308)	(2,649)
Gain (loss) on Investments in debt and equity securities	(2,630)	(4,674)
Income (expense) related to non-designated derivatives	325	(8,240)
Other financial items	2,037	2,900
Net income/(loss)	15,956	11,898
Basic earnings/(loss) per share (\$)	0.15	0.11

Q3 charter hire

- \$157 million, including 100% owned associates and revenue classified as repayment

Profit share income

- \$4.8 million from VLCCs
- \$0.8 million from fuel cost savings

Results in associates

- Net of \$7.3m non-cash credit loss provisions

Net income

- \$16.0 million or \$0.15 per share

Balance Sheet



(in thousands of \$)

	Sep 30, 2020	Jun 30, 2020
ASSETS		
<i>Short term</i>		
Cash and cash equivalents	205,814	152,124
Restricted cash	8,628	7,994
Investment in marketable securities	32,968	35,320
Amount due from related parties	15,728	13,138
Investment in sales-types, direct financing & leaseback assets	64,329	62,808
Other current assets	41,566	47,678
<i>Long term</i>		
Vessels and equipment, net	1,250,769	1,317,073
Vessels and equipment under finance lease, net	707,384	717,417
Investment in sales-types, direct financing & leaseback assets	869,418	936,496
Investment in associates	36,777	34,642
Amount due from related parties - Long term	308,399	306,398
Other long term assets	35,057	80,024
Total assets	3,576,837	3,711,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	299,723	298,300
Amount due to related parties	896	950
Finance lease liability, current portion	72,140	70,944
Other current liabilities	33,895	30,846
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,183,203	1,292,759
Capital lease obligations - Long term	984,719	1,002,558
Deficit in associates	18,513	13,260
Other long term liabilities	56,148	67,441
Stockholders' equity	927,600	934,054
Total liabilities and stockholders' equity	3,576,837	3,711,112

Cash and cash equivalents

- \$206m at quarter end, excluding \$22m of cash in non-consolidated rig-owning subsidiaries
- \$8.6 m of restricted cash relating to equity securities investments

Investment in marketable securities

- All vessels in Oslo-listed ADS Crude Carriers now sold
- Liquidation dividend expected, SFL owns ~4 million shares

Capital structure⁽¹⁾

- Book equity ratio of 25.9%

