

**SFL Corporation Ltd.**  
**Q2 2022 presentation**

August 17, 2022



# 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 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.

# Q2 2022 Highlights



## CHARTER HIRE<sup>(2)</sup>

\$165m

- Approximately 83% from long term charters
- Adjusted EBITDA<sup>(3)</sup> of \$124m

## NET INCOME

\$57.4m

- Earnings per share of \$0.45
- \$13m gain from sale of vessels

## DIVIDEND

\$0.23/share

- 74<sup>th</sup> consecutive quarterly dividend
- 8.7% dividend yield<sup>(1)</sup>

## BACKLOG<sup>(4)</sup>

\$3.7bn

- Added more than \$1.3 billion to the charter backlog so far in 2022
- Additional cashflow from short term charters and profit split

1) Quarterly cash dividend (annualized) divided by SFL's closing share price of \$10.56 on August 16, 2022

2) Charter hire 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

3) '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

4) Fixed rate backlog as of June 30, 2022 including subsequent sales and acquisitions, fully owned vessels 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

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### ACQUISITION OF 4x SUEZMAX TANKERS

- \$250 million backlog with 6 year TC to an affiliate of Koch Industries
  - Immediate cash flow with delivery of first vessels already in Q3
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### CONTINUING FLEET RENEWAL

- Profitable sale of two older VLCCs and a container vessel during Q2
  - Net proceeds to be reinvested in modern eco-design vessels
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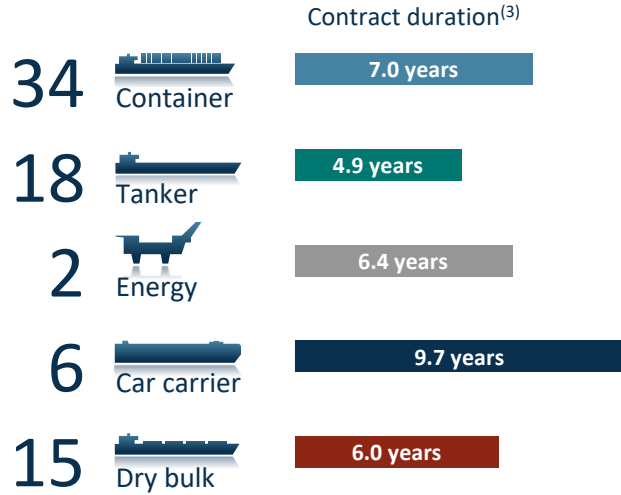
### ADDING INVESTMENT CAPACITY

- \$224 million in cash and significant net cash flow from existing fleet
  - Additional \$50 million to be released in new vessel financings
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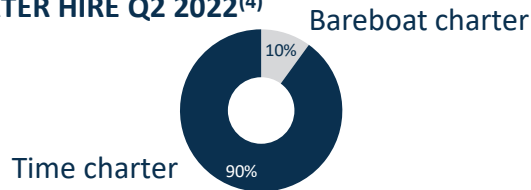
### IMPROVING RIG MARKET

- Transition of Linus' long-term drilling contract to SFL expected in Q3
- Hercules redelivery to SFL in Q4 with strong market outlook

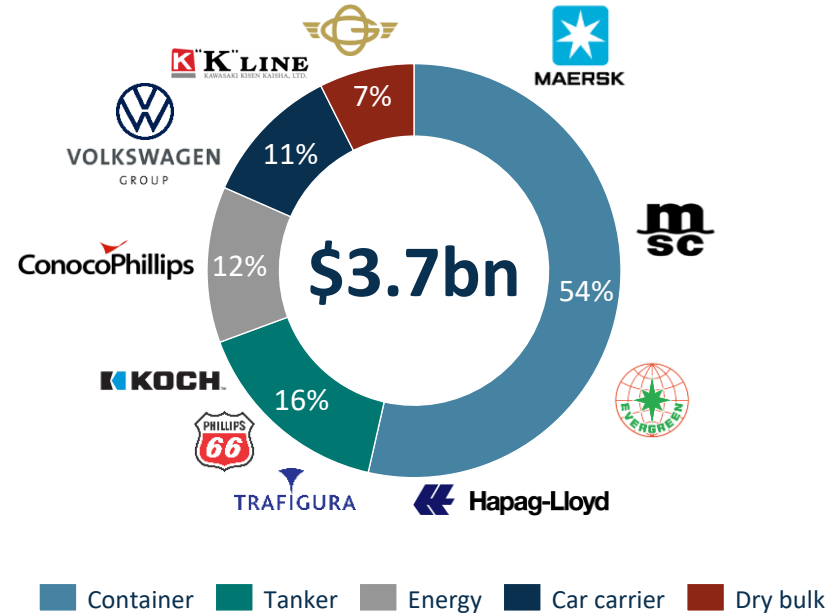
## PORTFOLIO<sup>(1)</sup>



## CHARTER HIRE Q2 2022<sup>(4)</sup>



## CONTRACTED REVENUE<sup>(2)</sup>



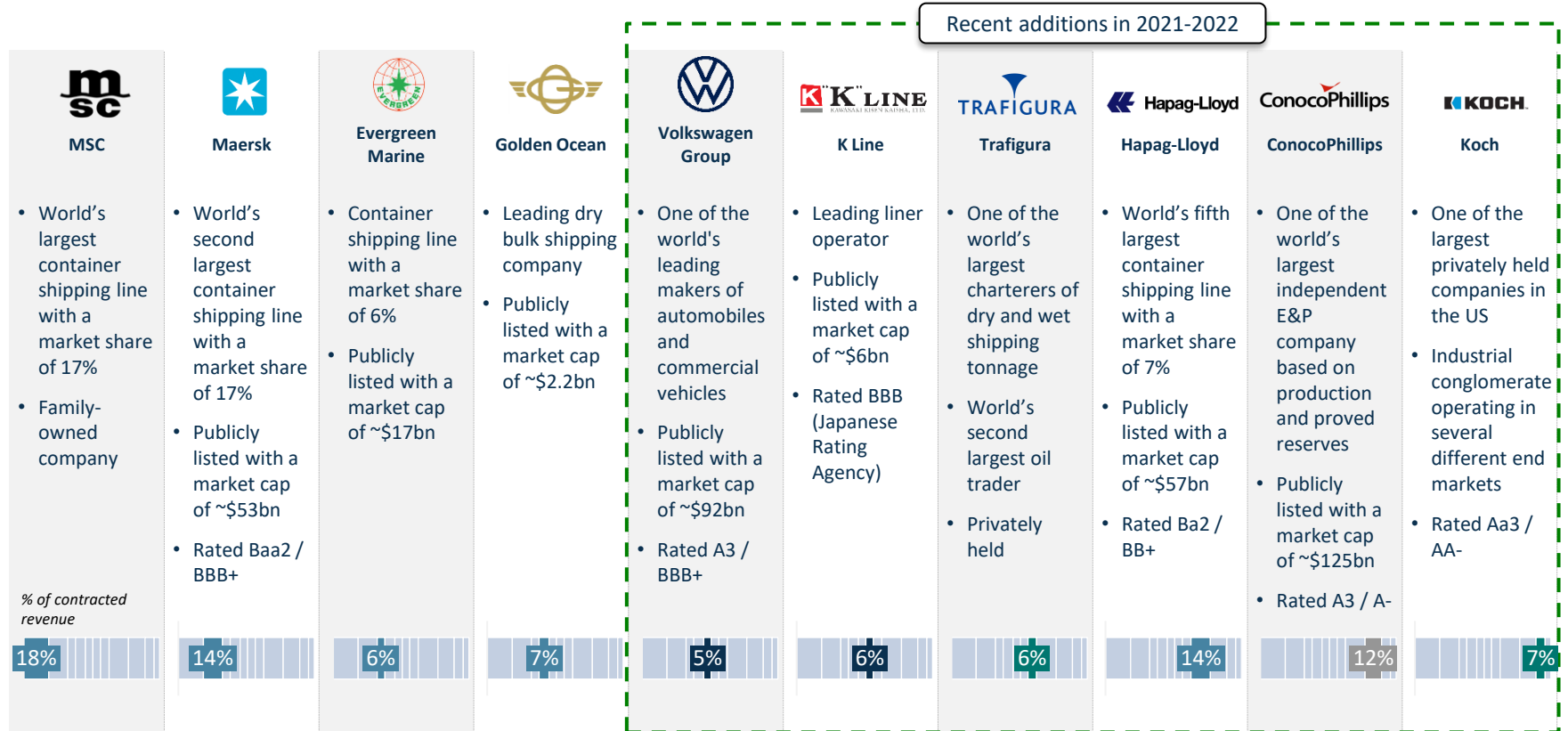
1) Including partly owned vessels and acquired vessels yet to be delivered to SFL

2) Fixed rate backlog as of June 30, 2022 including subsequent sales and acquisitions, fully owned vessels 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

4) Charter hire includes proportionate charter hire from partly owned vessels and excludes revenue from offshore rigs

# Continuously Diversifying Our Customer Base



Source: Bloomberg, Alphaliner, company information

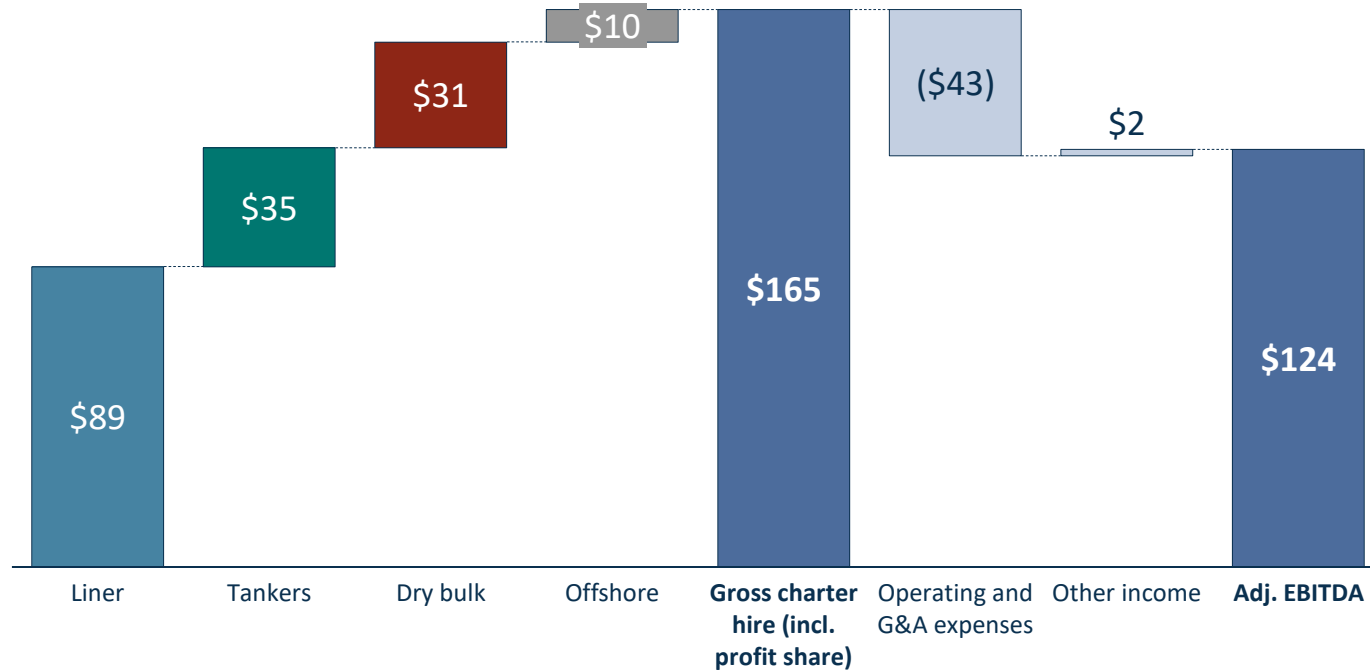
Note: Other counterparties representing 2% or less of contracted revenue also include Phillips 66 and Landbridge

# SFL Operational Performance



## ADJUSTED EBITDA Q2 2022 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



(in thousands of \$ except per share data)

	Three months ended	
	Jun 30, 2022	Mar 31, 2022
Charter revenues: operating lease	145,834	143,695
Charter revenues: sales-type, direct financing and leaseback assets (excluding charter hire treated as Repayments)	2,309	4,213
Profit share income	5,154	4,481
<b>Total operating revenues</b>	<b>153,297</b>	<b>152,389</b>
<b>Gain on sale of assets and termination of charters</b>	<b>13,228</b>	-
Vessel operating expenses	(39,817)	(43,534)
Administrative expenses	(3,777)	(4,839)
Depreciation	(46,625)	(44,688)
<b>Total operating expenses</b>	<b>(90,219)</b>	<b>(93,061)</b>
<b>Operating income</b>	<b>76,306</b>	<b>59,328</b>
Results in associates	706	699
Interest income from associates	1,138	1,125
Interest income, other	661	21
Interest expense	(24,873)	(22,587)
Amortization of deferred charges	(1,422)	(1,222)
Gain on Investments in debt and equity securities	1,961	2,505
Income related to non-designated derivatives	3,730	7,295
Other financial items	(799)	(143)
<b>Net income</b>	<b>57,408</b>	<b>47,021</b>
<b>Basic earnings per share (\$)</b>	<b>0.45</b>	<b>0.37</b>

## Q2 income

- \$165 million of charter hire, including share of revenue from associates, revenue classified as repayment and profit share
- \$13m gain on the sale of one older container vessel and two VLCCs

## Increased dry bulk profit share

- \$1.4 million of profit share from 8x capesize vessels

## Investments and derivatives

- Gain of \$3.7m primarily driven by mtm on interest rate swaps
- 75% of our debt was swapped or fixed at the end of the quarter

## Net income

- \$57.4m or \$0.45 per share



# Balance Sheet



(in thousands of \$)

	June 30, 2022	Mar 31, 2022
<b>ASSETS</b>		
<i>Short term</i>		
Cash and cash equivalents	223,816	149,289
Restricted cash	5,714	6,896
Investment in marketable securities	20,734	23,726
Amount due from related parties	6,584	8,615
Investment in sales-type, direct financing & leaseback assets, current portion	15,544	23,682
Other current assets	58,576	47,936
<i>Long term</i>		
Vessels and equipment, net	2,350,247	2,386,444
Vessels and equipment under finance lease, net	635,587	645,886
Newbuildings and vessel deposits	61,769	53,780
Investment in sales-type, direct financing & leaseback assets, long term	111,217	175,709
Investment in associates	16,584	16,598
Amount due from related parties, long term	45,000	45,000
Other long term assets	38,427	22,898
<b>Total assets</b>	<b>3,589,799</b>	<b>3,606,459</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	760,473	298,242
Amount due to related parties	1,246	1,514
Finance lease liability, current portion	52,397	51,795
Other current liabilities	46,072	43,023
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,203,068	1,728,036
Finance lease liability, long term	446,426	459,770
Other long term liabilities	33,563	9,869
Stockholders' equity	1,046,554	1,014,210
<b>Total liabilities and stockholders' equity</b>	<b>3,589,799</b>	<b>3,606,459</b>

## Cash and cash equivalents

- \$224m at quarter end
- Additional \$50 million to be released in new vessel refinancings in the third quarter

## Remaining capex

- \$240m of remaining capex on four car carriers under construction, expected to be financed primarily by senior financing
- \$222.5m suezmax acquisition to be financed by cash at hand and senior financing

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

- Book equity ratio of 29.2%

