

**SFL Corporation Ltd.**  
**Q1 2020 presentation**

May 20, 2020



# 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.

# Q1 2020 Highlights



DIVIDEND  
\$0.25/share

- 65th consecutive quarterly dividend
- 10.3% dividend yield<sup>(1)</sup>

CHARTER HIRE<sup>(2)</sup>  
\$161m

- ~90% from long term charters
- Adjusted EBITDA<sup>(3)</sup> of \$120m

LIQUIDITY  
\$217m

- Cash of \$217m (incl. associates) at quarter end
- All material 2020 financing maturities addressed

SOLID BACKLOG  
\$3.6bn

- Charter extensions on 10 vessels to Maersk and MSC
- Added backlog of approximately \$230m<sup>(4)</sup>

1) Quarterly cash dividend (annualized) divided by SFL's share price of \$9.72 as of May 19, 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 first quarter preliminary earnings release Appendix 1: Reconciliation of Adjusted EBITDA

4) Backlog added during and subsequent to the first quarter of 2020

## FINANCING

- Upcoming 2020 NOK bond maturity refinanced in January
  - New loan facilities of >\$200m at a blended all-in cost of <2%
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## FRONTLINE

- VLCC *Front Hakata* sold for net proceeds of ~\$30m
  - \$6m of profit share in Q1 with strong visibility until Q4
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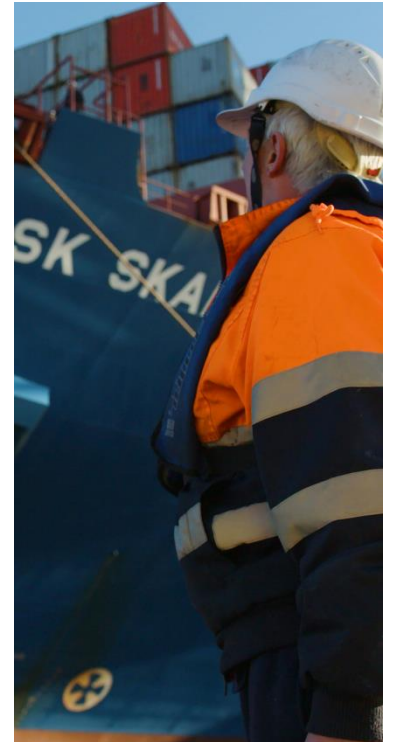
## OFFSHORE

- Exit from the OSV segment after sale of remaining vessels
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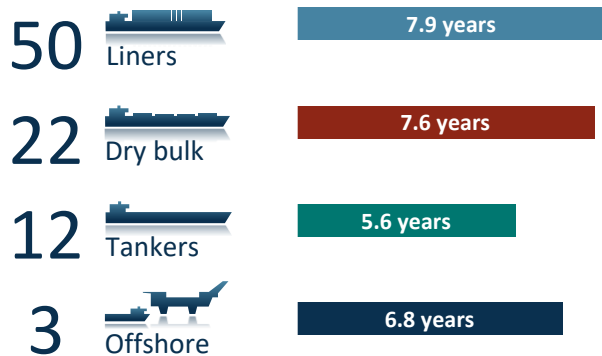
## ACQUISITION OF NEW VLCC

- Attractive acquisition price and underlying sub-charter to oil major
- Charter backlog increase of ~\$60m

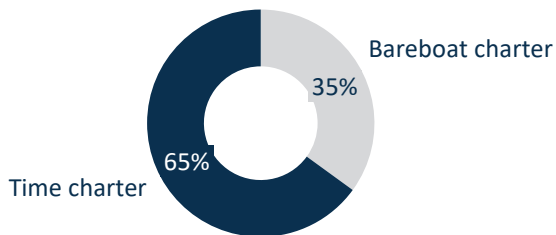
- SFL is maintaining a continuous focus on operational safety with a significant number of proactive measures to ensure health and safety for crew on board vessels and onshore employees
- No material business interruptions in Q1 resulting from the Covid-19 pandemic
- Some dry-docking delays and lower earnings expectations on spot trading liner and dry bulk vessels
- Majority of revenues secured on long term, fixed rate contracts that are insulated from short term volatility in underlying markets
- SFL is closely monitoring counterparty risk associated with all vessels to identify and mitigate any potential business impact



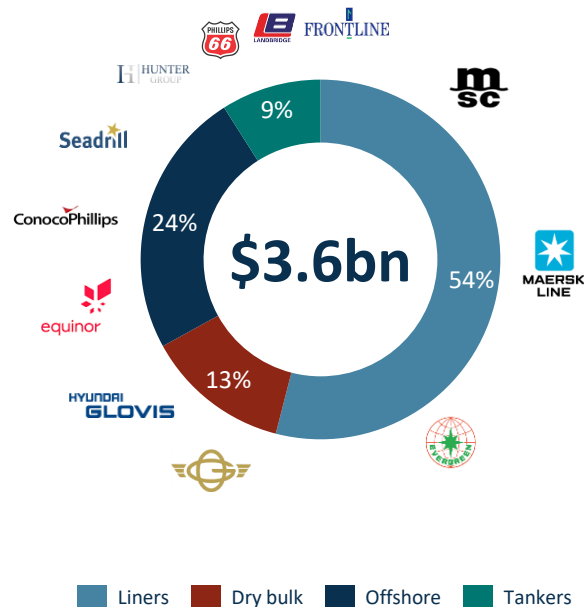
## CURRENT FLEET



## CHARTER HIRE Q1 2020<sup>(3)</sup>



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

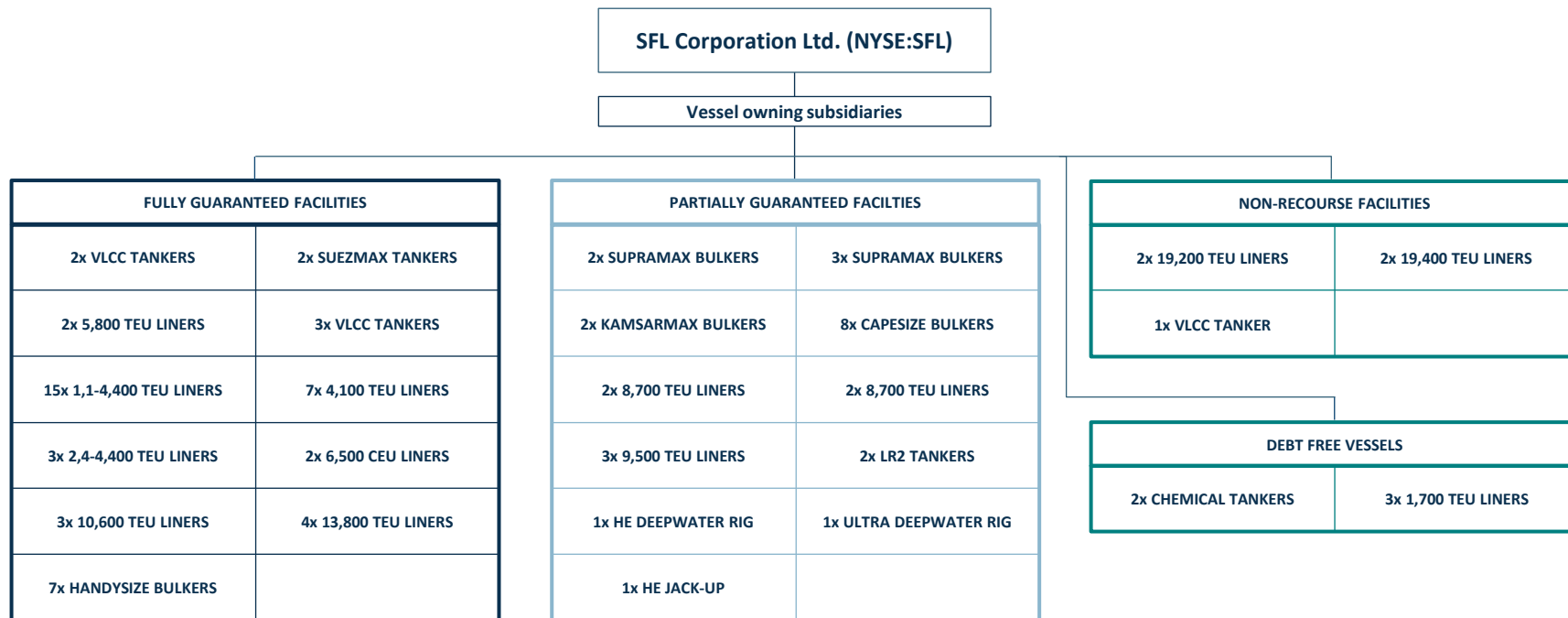


1) As of March 31, 2020 adjusted for subsequent sales and acquisitions, excluding charterer options. Contracted revenue excludes profit share. ConocoPhillips and Equinor are shown in the above illustration as they are sub-charterers of two rigs on charter to Seadrill

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'

# Asset Financing Structure Mitigates “Black Swan” Risk



Only ~60% of asset financings are guaranteed by SFL Corporation Ltd.

*Note: All loans as of March 31, 2020, adjusted for subsequent acquisitions and divestments*

# Managing Risk In A Cyclical Offshore Market



## CHARTER STRUCTURE



West Linus

- Harsh Environment J/U
- 2014-built
- BB to Seadrill to 2029
- Contract with ConocoPhillips until December 2028



West Hercules

- Harsh Environment Semi-submersible
- BB to Seadrill to 2024
- Consecutive contracts with Equinor since 2018

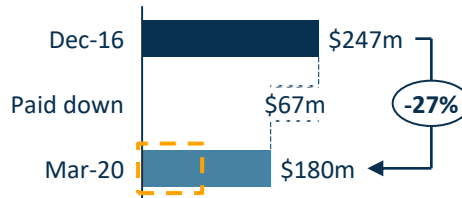
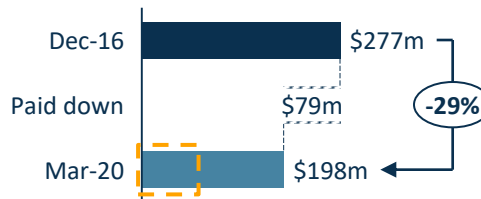
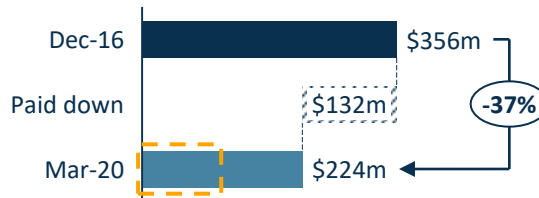


West Taurus

- 6<sup>th</sup> generation 'standard' Semi-submersible
- BB to Seadrill to 2024
- Currently idle

## FINANCING STRUCTURE

Part of debt guaranteed by SFL Corp.



## NET CASH FLOW PER SHARE<sup>(1)</sup>

Q1 2020 figures

**\$0.03**

**\$0.02**

**\$0.02**

1) 'Net cash flow per share' is a non-GAAP measure. Note that figures are based on cash flow per share after interest payments, ordinary debt repayments and excluding non-cash items. Charter hire from the assets are received in 100% owned subsidiaries classified as 'Investment in associates'

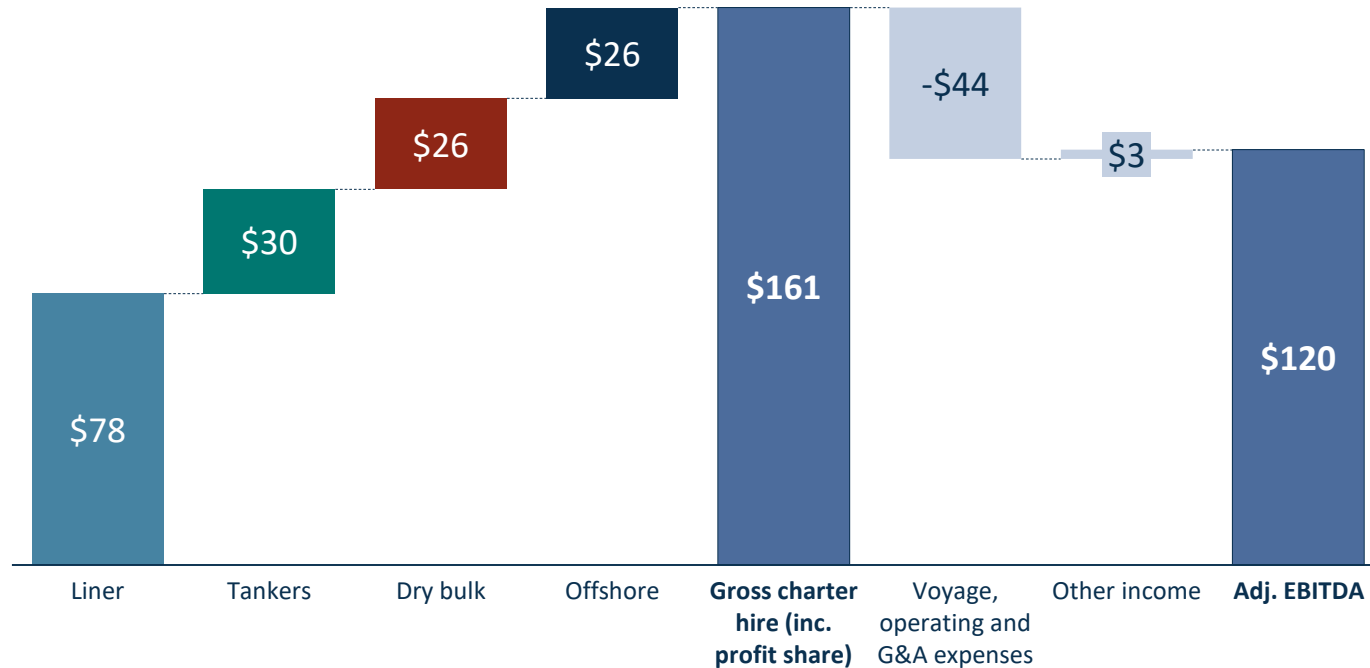


# SFL Operational Performance



## ADJUSTED EBITDA Q1 2020 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>Mar 31, 2020</i>	<i>Dec 31, 2019</i>
Charter revenues - operating lease	96,546	96,385
Charter revenues - finance lease (net of charter hire treated as Repayment of investment in finance leases)	18,944	19,615
Profit share income, vessels	5,863	3,877
Profit share income, scrubber fuel-cost savings	543	-
<b>Total operating revenues</b>	<b>121,896</b>	<b>119,877</b>
Gain (loss) on sale of assets and termination of charters	2,275	
Vessel operating expenses	(40,390)	(34,985)
Administrative expenses	(3,512)	(2,238)
Depreciation	(27,173)	(28,297)
Vessel impairment charge	(80,511)	(34,141)
<b>Operating (loss)/income</b>	<b>(27,415)</b>	<b>20,216</b>
Results in associates	2,512	3,918
Interest income from associates	3,532	3,532
Interest income, other	907	1,527
Interest expense	(34,224)	(34,844)
Amortization of deferred charges	(1,972)	(1,923)
Gain (loss) on Investments in debt and equity securities	(13,562)	27,859
Income (expense) related to non-designated derivatives	(23,380)	3,908
Other financial items	6,548	(551)
<b>Net (loss)/income</b>	<b>(87,054)</b>	<b>23,642</b>
<b>Basic earnings per share (\$)</b>	<b>(0.81)</b>	<b>0.22</b>

## Q1 charter hire

- \$161 million, including 100% owned associates and revenue classified as repayment

## Profit share income

- \$5.9 million of VLCCs on charter to Frontline
- \$0.5 million of fuel cost savings from scrubbers

## Vessel impairment charge

- Related to seven Handysize dry bulk carriers trading in the short term market

## Net Q1 result

- Impacted by negative non cash adjustments of \$114 million

# Balance Sheet



(in thousands of \$)

	Mar 31, 2020	Dec 31, 2019
<b>ASSETS</b>		
<i>Short term</i>		
Cash and cash equivalents	206,474	199,521
Restricted cash	11,467	3,495
Investment in marketable securities	60,231	74,079
Amount due from related parties	14,744	22,399
Investment in finance leases and vessel loans, current portion	56,990	56,189
Other current assets	40,836	34,804
<i>Long term</i>		
Vessels and equipment, net	1,321,967	1,404,705
Vessels and equipment under finance lease, net	727,189	714,476
Investment in finance leases and vessel loans	891,481	938,198
Investment in associates	30,586	42,161
Amount due from related parties - Long term	314,000	327,616
Other long term assets	106,530	67,727
<b>Total assets</b>	<b>3,782,495</b>	<b>3,885,370</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	257,571	253,059
Amount due to related parties	2,584	3,980
Finance lease liability, current portion	82,395	68,874
Other current liabilities	51,125	39,923
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,336,195	1,355,029
Capital lease obligations - Long term	1,020,177	1,037,553
Deficit in associates	12,938	-
Other long term liabilities	85,601	20,583
Stockholders' equity	933,909	1,106,369
<b>Total liabilities and stockholders' equity</b>	<b>3,782,495</b>	<b>3,885,370</b>

## Cash and cash equivalents

- \$217m, including cash at 100% owned associates

## Net marketable securities

- \$34 million, adjusted for purchase obligation on securities
- Frontline shareholding reduced to 1.4 million shares subsequent to the quarter

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

- Book equity ratio of 25%

# Strong Liquidity, Limited Capex And Unique Access to Capital



## ROBUST LIQUIDITY

### CASH AND CASH EQUIVALENTS

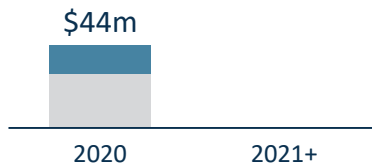
\$217m

### NET MARKETABLE SECURITIES<sup>(1)</sup>

\$34m

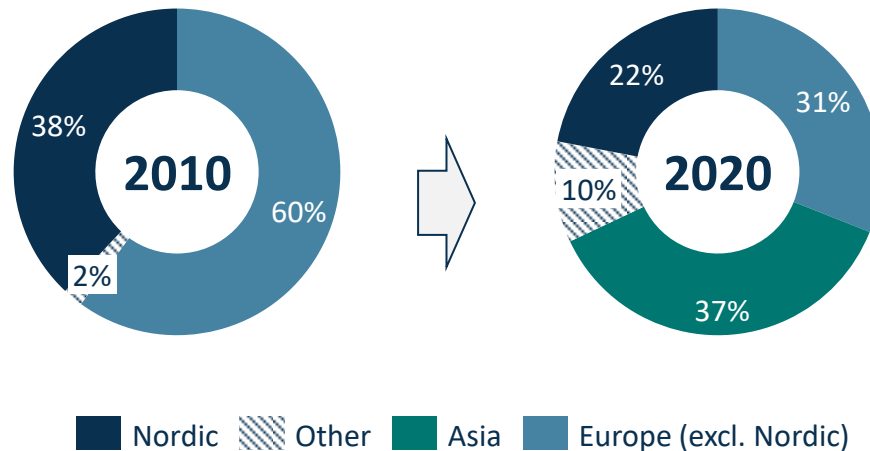
## LIMITED OUTSTANDING CAPEX

- VLCC acquisition (net of \$50m debt facility)
- Other (EGCS)



## CONTINUOUSLY DIVERSIFYING SOURCES OF CAPITAL

*SFL lender group by region*



1) Book value as of March 31, 2020 of marketable securities and restricted cash held as collateral for securities, net of purchase obligation related to securities under a forward contract

