

SFL Corporation Ltd.
Q2 2020 presentation

August 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.

Q2 2020 Highlights



DIVIDEND
\$0.25/share

- 66th consecutive quarterly dividend
- 10.5% dividend yield⁽¹⁾

CHARTER HIRE⁽²⁾
\$158m

- More than 90% from long term charters
- Adjusted EBITDA⁽³⁾ of \$121m

LIQUIDITY
\$152m

- \$152m of cash at quarter end, excl. \$15m in 100% owned associates
- \$35m of marketable securities

CHARTER BACKLOG
\$3.4bn

- Added backlog of approximately \$95m⁽⁴⁾
- Combination of charter extensions and vessel acquisition

1) Quarterly cash dividend (annualized) divided by SFL's share price of \$9.52 as of August 17, 2020

2) Charter hire include 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 second quarter preliminary earnings release Appendix 1: Reconciliation of Adjusted EBITDA

4) Backlog added during the second quarter of 2020

Recent Events



ACQUISITION OF NEW VLCC

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

EXTENSION OF CHARTERS

- Seven vessels extended by an average of four years
- Added backlog of ~\$38m

SALE OF 2x VLCCs

- Purchase options declared on 2x VLCCs with delivery in August
- ~\$23m positive cash effect to SFL

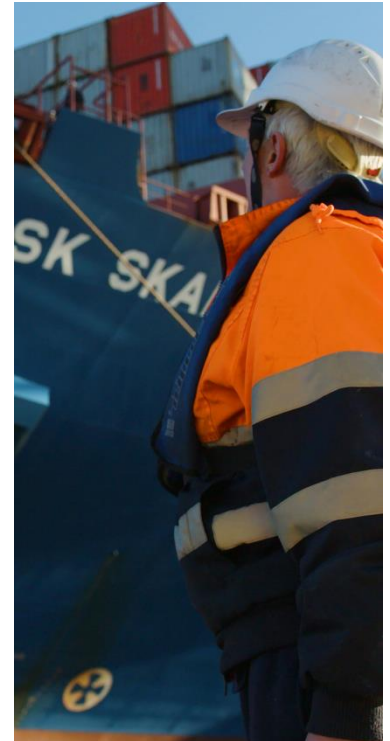
FINANCING

- Refinanced 4x large container vessels at a historically low interest cost
- Redemption of NOK 500m bond loan in June

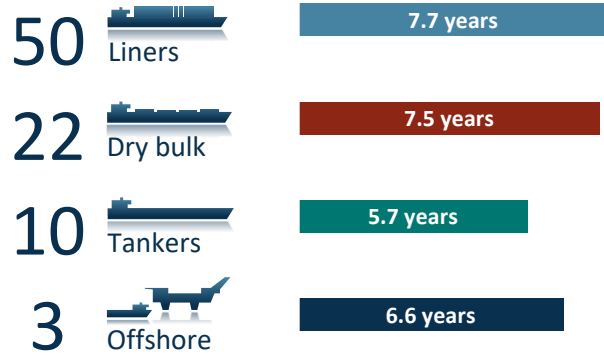
Strong Focus On Mitigating Covid-19 Impact



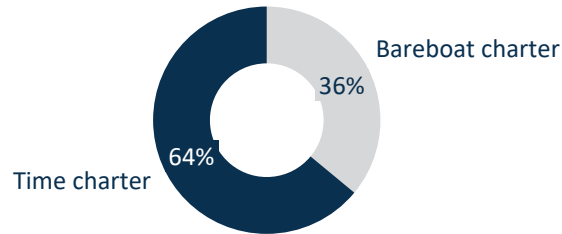
- Maintaining a continuous focus on operational safety with a significant number of proactive measures to ensure health and safety for crew on board vessels and onshore employees
- No material disruptions to operations in Q2 apart from some dry docking delays and lower earnings on spot trading liner 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



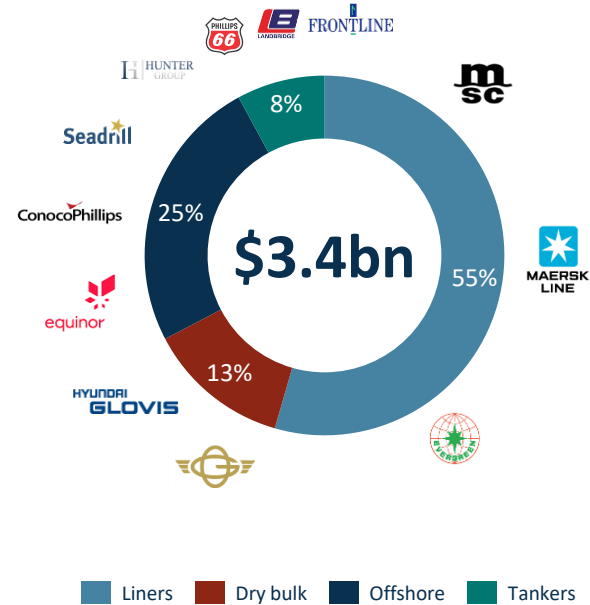
CURRENT FLEET



CHARTER HIRE Q2 2020⁽³⁾



CONTRACTED REVENUE⁽¹⁾



1) As of June 30, 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

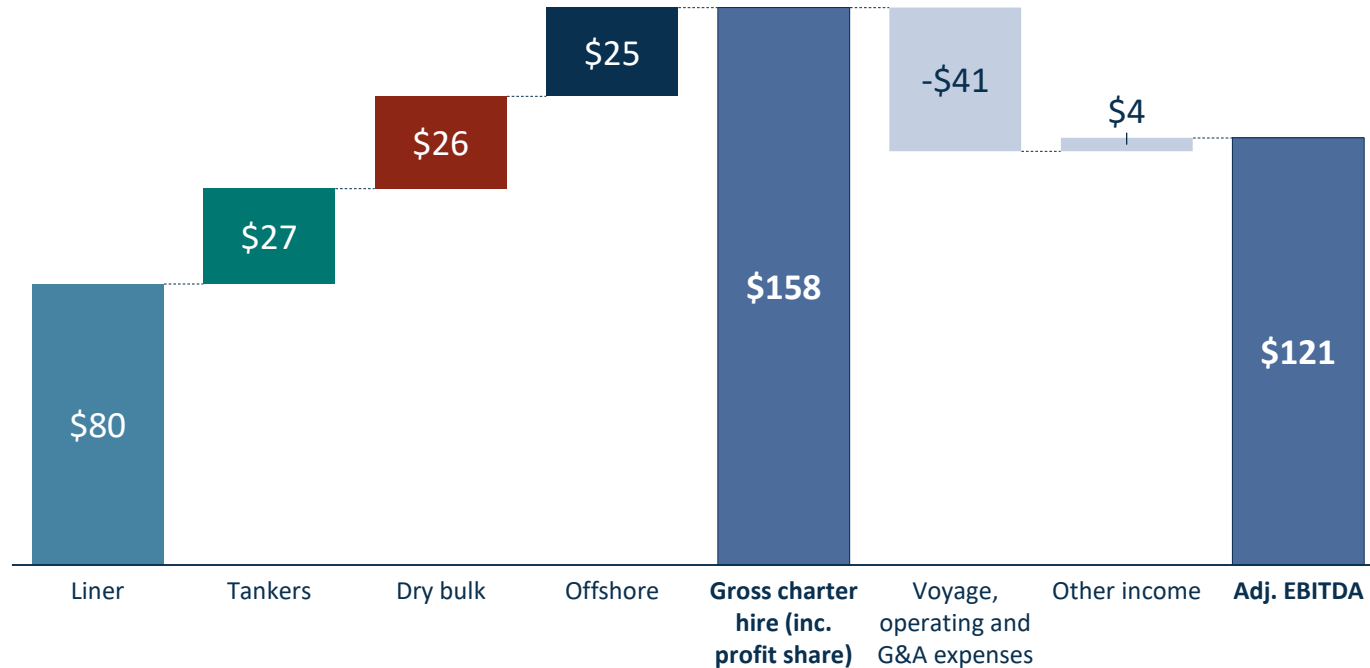
3) Charter hire include total charter hire from all vessels and rigs, including assets in 100% owned subsidiaries classified as 'Investment/deficit in associates'

SFL Operational Performance



ADJUSTED EBITDA Q2 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>Jun 30, 2020</i>	<i>Mar 31, 2020</i>
Charter revenues - operating lease	94,427	96,546
Charter revenues - sales-type, direct financing and leaseback assets (net of charter hire treated as Repayments)	18,868	18,944
Profit share income, vessels	4,495	5,863
Profit share income, scrubber fuel-cost savings	675	543
Total operating revenues	118,465	121,896
Gain (loss) on sale of assets and termination of charters	(25)	2,275
Vessel operating expenses	(38,374)	(40,390)
Administrative expenses	(2,533)	(3,512)
Depreciation	(28,125)	(27,173)
Vessel impairment charge	-	(80,511)
Operating income/(loss)	49,408	(27,415)
Results in associates	3,734	2,512
Interest income from associates	3,532	3,532
Interest income, other	315	907
Interest expense	(32,428)	(34,224)
Amortization of deferred charges	(2,649)	(1,972)
Gain (loss) on Investments in debt and equity securities	(4,674)	(13,562)
Income (expense) related to non-designated derivatives	(8,240)	(23,380)
Other financial items	2,900	6,548
Net income/(loss)	11,898	(87,054)
Basic earnings/(loss) per share (\$)	0.11	(0.81)

Q2 charter hire

- \$158 million, including 100% owned associates and revenue classified as repayment

Profit share income

- \$4.5 million from VLCCs
- \$0.7 million from fuel cost savings

Net income

- \$11.9 million or \$0.11 per share
- \$16 million of negative non recurring and/or non cash adjustments
- Adj. for the above, net income would have been \$27.8m or \$0.26 per share

Balance Sheet



(in thousands of \$)

	Jun 30, 2020	Mar 31, 2020
ASSETS		
<i>Short term</i>		
Cash and cash equivalents	152,124	206,474
Restricted cash	7,994	11,467
Investment in marketable securities	35,320	60,231
Amount due from related parties	13,138	14,744
Investment in sales-types, direct financing & leaseback assets	62,808	56,990
Other current assets	47,678	40,836
<i>Long term</i>		
Vessels and equipment, net	1,317,073	1,321,967
Vessels and equipment under finance lease, net	717,417	727,189
Investment in sales-types, direct financing & leaseback assets	936,496	891,481
Investment in associates	34,642	30,586
Amount due from related parties - Long term	306,398	314,000
Other long term assets	80,024	106,530
Total assets	3,711,112	3,782,495
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Short term</i>		
Short term and current portion of long term interest bearing debt	298,300	257,571
Amount due to related parties	950	2,584
Finance lease liability, current portion	70,944	82,395
Other current liabilities	30,846	51,125
<i>Long term</i>		
Long term interest bearing debt, net of deferred charges	1,292,759	1,336,195
Capital lease obligations - Long term	1,002,558	1,020,177
Deficit in associates	13,260	12,938
Other long term liabilities	67,441	85,601
Stockholders' equity	934,054	933,909
Total liabilities and stockholders' equity	3,711,112	3,782,495

Cash and cash equivalents

- \$152m, excluding \$15m of cash in 100% owned associates
- \$8m of restricted cash relating to equity securities

Marketable securities

- Reduction from Q1 due to sale of ~2 million FRO shares for ~\$21 million

Short term debt

- ~\$200m of debt on vessels where SFL has secured charter extensions until 2024/2025

Capital structure⁽¹⁾

- Book equity ratio of 25.2%

1) Book values as of June 30, 2020

