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# **FLEX LNG Ltd.**

## **Company Presentation**

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February 2017

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# Flex LNG is an attractive growth option with best-in-class tonnage and significant exposure to an improving LNGC and FSRU market

## Focus on high-end LNGCs and FSRU

- Flex has a pure fleet of MEGI LNG vessels which are the preferred choice among charterers with demonstrated superior earnings capacity compared to existing LNGC fleet
- Significant competence and track record in FSRUs gives Flex additional growth potential

## Exposed to a recovering LNGC market

- Tightening of supply/demand in LNG shipping market indicating shortage of vessels in 2018-19
- Flex has the largest share of available next generation LNG carriers for delivery before 2020
- Fast growing FSRU market to further support LNGC demand while creating attractive growth opportunities in FSRUs

## Acquisition of 2x LNG MEGI newbuilds

- Acquisition of 2x LNG MEGI newbuilds with delivery in Jan-18 previously owned by affiliates of Geveran Trading Co Ltd. («Geveran»)
- Attractive combination of cost and early delivery to give the company a uniform fleet of 4x modern LNG MEGI carriers in operation from the beginning of 2018

## Attractive RCF from main shareholder

- Main shareholder Geveran has provided Flex a USD 270m credit
  - Credit structured as revolving credit facility ("RCF") with flexibility to draw and repay at company's discretion gives company available growth capital while minimizing interest cost during construction
  - 1.00% p.a. fixed interest until delivery and LIBOR + 300 bps with tenor of 3 years from delivery
  - Intention to repay RCF with bank debt when vessels are delivered, but it will still be available after delivery of newbuilds at the Company's discretion to pursue growth opportunities and to manage cash position

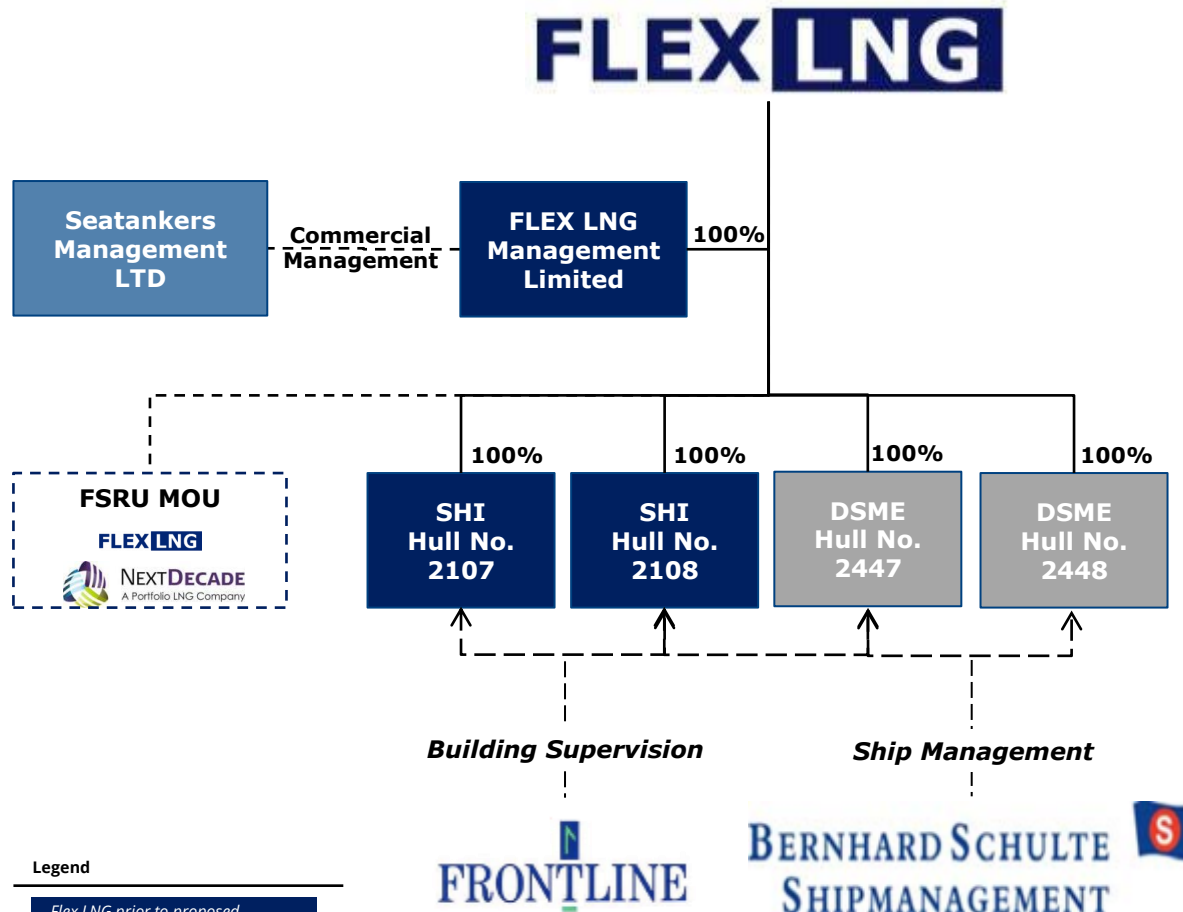
## **FLEX LNG in Brief**

**LNG Shipping Market**

**Financials**

# Well positioned platform for growth

## Company Structure



### Legend

Flex LNG prior to proposed transaction

To be established in connection with the private placement

## Comments

- FLEX LNG will control four state-of-the-art newbuildings for delivery in 2018
- Geveran currently has a majority shareholding in FLEX LNG
  - Intent on remaining a significant shareholder and growing FLEX LNG into a leading investment vehicle for LNG activities
- Frontline Management provides technical expertise and construction supervision
- Flex LNG has partnered with Bernard Schulte Shipmanagement for the crewing and technical management post delivery

# Value driven strategy

## A leading LNG company with growth potential in LNG shipping and FSRUs

1

### Focus on high-quality LNG shipping in an improving market

- Modern MEGI vessels with superior earnings capacity compared to existing LNGC fleet
- Tightening of supply/demand in LNG shipping market indicating shortage of vessels in 2018-19, FLEX has the largest share of available next generation LNG carriers for delivery before 2020
- Positioning/timing can create super profit in LNG carriers

2

### FSRU capabilities and partnership to create LNG value chain solutions

- FLEX LNG has significant FSRU commercial & operational experience - CEO Jonathan Cook as co-founder of Excelebrate and Senior VP Thomas Thorkildsen as former head of business development in Høegh LNG
- FLEX LNG also has significant FSRU competence internally and through its sponsor and will continue to evaluate opportunities to leverage its experience with the implementation of FSRU projects
- HOA signed with NextDecade to provide FSRUs to their customers with full value chain LNG solutions

3

### Proactive approach to organic & structural growth in LNGCs

- FLEX LNG will have a proactive approach to further accretive structural transactions
- The Company will constantly evaluate opportunities in the newbuild and second-hand market
- Strong backing from main shareholder to pursue transformational deals

4

### Taking advantage of chartering opportunities

- TC-in / TC-out opportunities will be monitored on an on-going basis
- 3 LNGCs chartered in from Q1'2017, allowing the company to take advantage of attractive charter rates going into an improving market while building operational track record and chartering relationships
- FLEX LNG is actively marketing the newbuild LNGCs in both the term and spot markets to be in the best position in the improving markets

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### Access to Capital

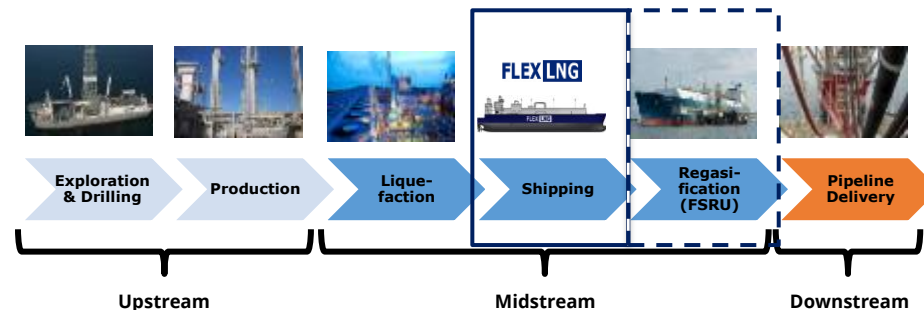
- FLEX LNG will attempt to leverage the full array of financing options for the lowest possible capital costs
- Fredriksen group has consistently demonstrated its strong access to the capital and financing markets

# FLEX LNG: Overview

## Company snapshot

- LNG company listed on Oslo Axess with a market capitalization of NOK 1.9bn / USD 222m
- Attractive fleet of 2 owned modern LNGC MEGI newbuildings and 3 chartered in LNGCs from Q1'2017
  - Delivering superior returns to current-generation DFDE and older generation steam design vessels
- Attractive platform for future growth; focus on modern LNGCs and FSRUs
- Backed by its largest shareholder – Gevean Trading Co Ltd – a strong sponsor

## Positioning FLEX in the LNG value chain



## Fleet Overview

	Vessel	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Yard	Employment	Cost (USD)	Specification
Owned vessels		Construction <sup>(1)</sup>				Operational				Samsung	Available/spot	211.9m	174,000 m <sup>3</sup> MEGI LNG Carrier
		Construction <sup>(1)</sup>				Operational				Samsung	Available/spot	211.9m	174,000 m <sup>3</sup> MEGI LNG Carrier
Acquisition vessels		Construction <sup>(2)</sup>				Operational				Daewoo	Available/spot	203.6m	173,400 m <sup>3</sup> MEGI LNG Carrier
		Construction <sup>(2)</sup>				Operational				Daewoo	Available/spot	203.6m	173,400 m <sup>3</sup> MEGI LNG Carrier
TC-in		Operational (12m TC out)				6m + 6m from Q1'17					12m Time charter out		+173,000 m <sup>3</sup> TFDE
		Operational				6m + 6m from Q1'17					Available/spot		+170,000 m <sup>3</sup> TFDE
		Operational				6m + 6m from Q1'17					Available/spot		+155,000 m <sup>3</sup> TFDE

Note: (1) For Samsung vessels: vessel #1 delivery between Jan – Apr 2018 in owner's option, vessel #2 delivery between Apr – Jun 2018 in owner's option  
 (2) For Daewoo vessels: delivery between Aug 2017 – Jan 2018 in owner's option for both vessels

# FLEX LNG: Modern and best-in-class MEGI LNGCs

## Technological evolution of LNGCs

### 1<sup>st</sup> Generation

- 1970's-1990's
- Steam Turbine
- MOSS type
- 120-128k cbm
- Boil-Off 0.20-0.25%

### 2<sup>nd</sup> Generation

- 1990's-2005
- Steam Turbine
- MOSS/Membrane type
- 125-138k cbm
- Boil-Off 0.15%
- Fuel consumption: ~190 tons/day<sup>1</sup>

### 3<sup>rd</sup> Generation

- 2003->
- Steam Turbine/DFDE (no HFO)
- MOSS/Membrane type
- 145-150k
- Boil-Off 0.15%
- Fuel consumption: ~160 tons/day<sup>1</sup>

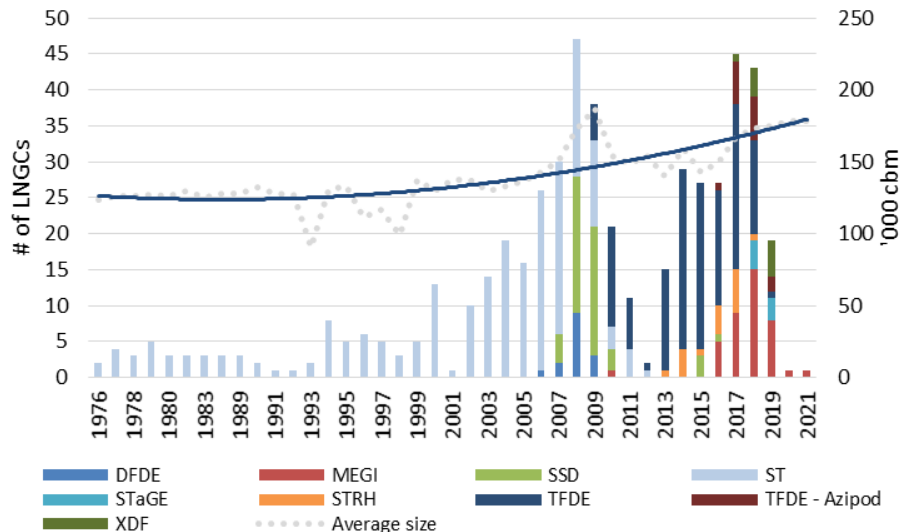
### 4<sup>th</sup> Generation

- 2008->
- DFDE/TFDE
- MOSS/Membrane type
- 155-170k cbm
- Boil-Off 0.09-0.13%
- Fuel consumption: ~135 tons/day<sup>1</sup>

### 5<sup>th</sup> Generation

- 2015->
- MEGI (2-stroke)
- MOSS/Membrane type
- >170k cbm
- Boil-Off 0.075-0.10%
- Fuel consumption: ~106 tons/day<sup>1</sup>

## LNGC fleet by propulsion and delivery year<sup>2</sup>



## Technological specification of FLEX LNGCs:

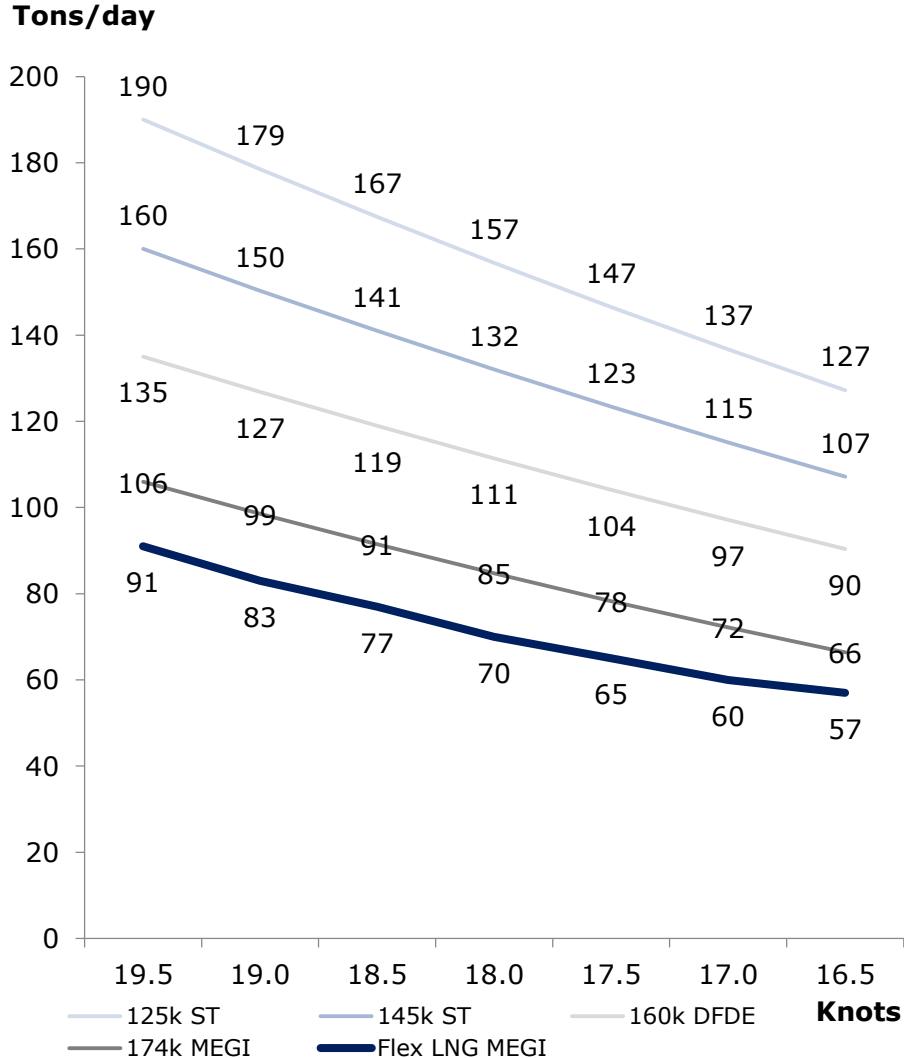
<b>Cargo capacity:</b>	174,000 cbm LNG cargo capacity
<b>Service speed:</b>	19.5 knots at NCR
<b>Fuel consumption at service speed:</b>	DSME: 91 ton/day / SHI: 92 ton/day
<b>Engine and propulsion system:</b>	Fuel efficient 2-stroke slow speed MEGI main engines and propulsion
<b>Boil-off rate:</b>	Low boil-off rates to maintain speed flexibility (SHI: 0.09% / DSME: 0.075%)
<b>Exhaust gas and ballast water treatment:</b>	Modern system in compliance with new emissions regulations

Sources: Fearnley Securities, Fearnley LNG.  
 Note: (1) Fuel consumption estimate at 19.5 knots (see next page for further details)  
 (2) Includes LNGCs >100k cbm

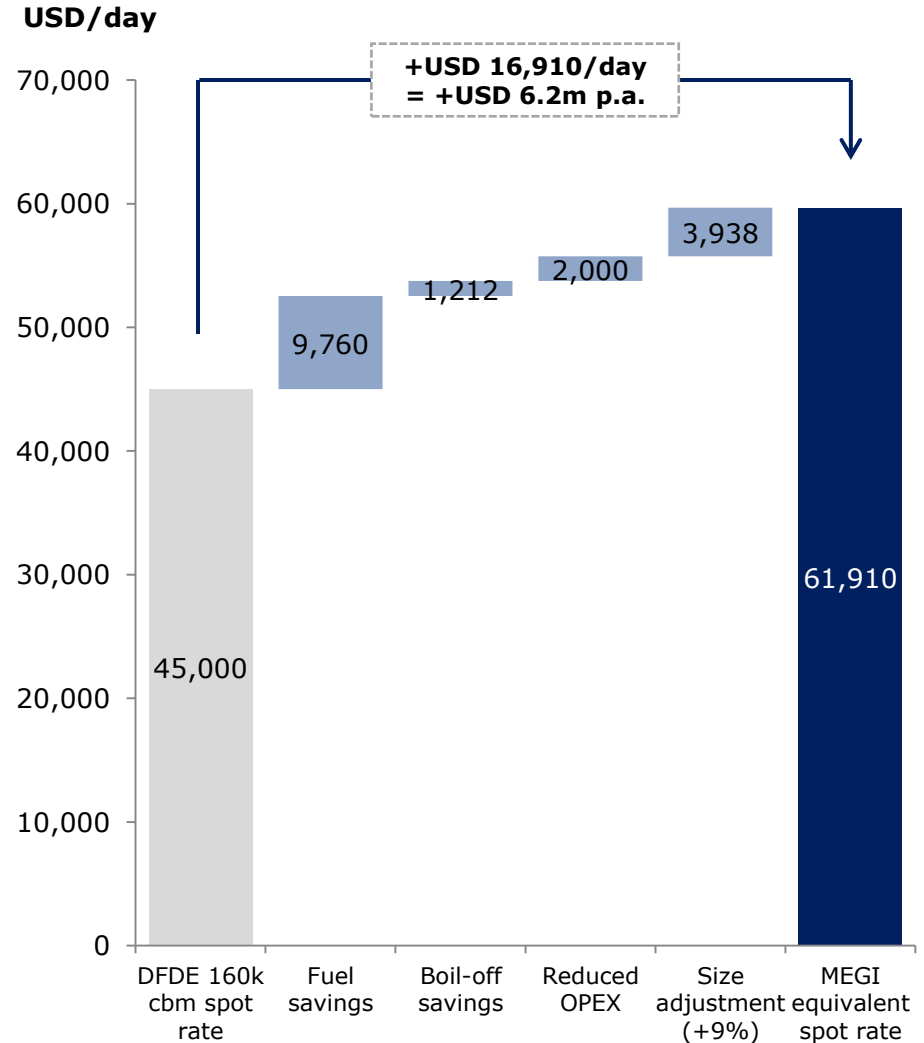


# FLEX MEGI vessels displaying superior fuel savings and economics

## LNG machinery: fuel-consumption per vessel type



## MEGI equivalent spot rates<sup>(1)</sup>



Source: Arctic Equity Research  
 Note: (1) Estimated on fuel savings are based on an assumption of fuel cost of USD 330/ton and boil-off savings is based on 0.12% for DFDE vs 0.09% for MEGI

# FSRU Heads of Agreement signed with NextDecade

## HoA with NextDecade

- FLEX LNG and NextDecade in December 2016 signed an HoA to create a full value chain solution for LNG to international customers
- FLEX shall provide FSRU and dockside solutions for international customers while NextDecade will supply the LNG from its export terminal in Texas

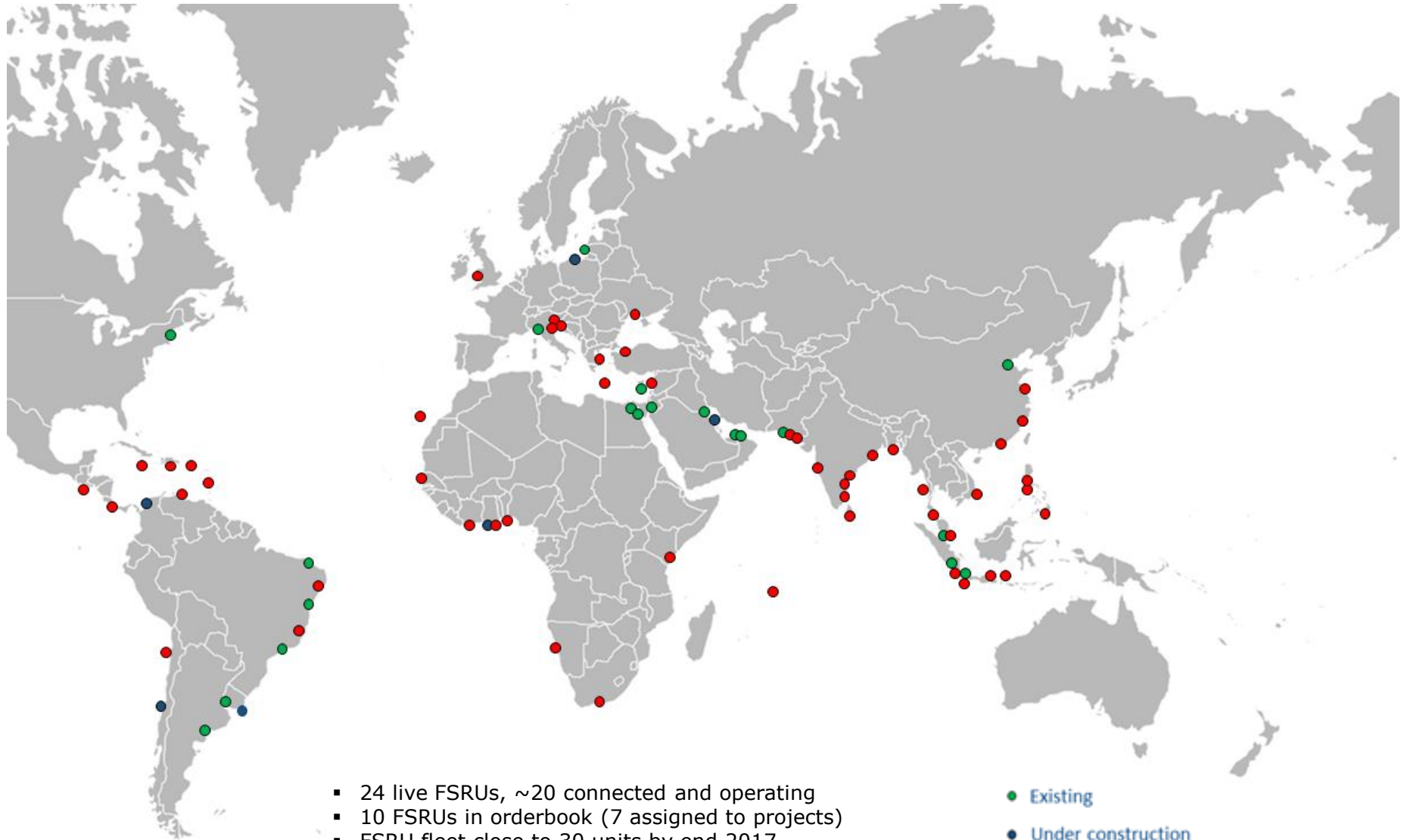
## NextDecade in Brief

- NextDecade is a leading US-based development and management company of land-based and floating LNG projects
- Next Decade's key project is the Rio Grande LNG export project under development in Brownsville, Texas
- The Rio Grande LNG export project is expected to have a capacity of six liquefaction trains, each with a nominal LNG output capacity of 4.5mtpa , yielding a total capacity of 27mtpa



The proposed Rio Grande LNG Facility looking west along the Brownsville Ship Channel

# High activity and strong growth expected in the FSRU market



- 24 live FSRUs, ~20 connected and operating
- 10 FSRUs in orderbook (7 assigned to projects)
- FSRU fleet close to 30 units by end 2017
- High activity with over 40 FSRU projects being discussed at any given time worldwide

- Existing
- Under construction
- Potential

# Highly experienced management team

## Executive & Commercial Management Team

### Jonathan Cook (54) – CEO

- Previously Chief Marketing Officer for Cardiff LNG, where he managed the LNG commercial activities. Prior to that he was a founding partner and COO of Exceleerate Energy
- 30 years in the maritime and energy sectors with the last 16 years in the LNG sector

### Thomas Thorkildsen (45) - SVP Business Development

- Previously Head of Business Development for Hoegh LNG where he managed the FSRU business development activities
- 20 years in the maritime industry with the last 14 years in LNG business development

## Board of Directors

### David McManus (62) – Chairman

- Mr. McManus has served on the Board since August 2011, and was elected as chairperson in September 2011
- Previously served as Executive Vice President and Head of International Operations for Pioneer Natural Resources. He is currently serving as non-executive director for a number of listed companies
- Mr. McManus was previously Chairman of Cape plc an energy service company, which has been involved as a contractor in more than 50% of the world's LNG facilities, including Sakhalin, RasGas, Qatargas, Damietta, Idku, North West Shelf, Pluto and Arzew

### Robin Bakken (42) – Director

- Mr. Bakken joined the Board in October 2014, he is a partner with the law firm BA-HR in Oslo, Norway.
- He has extensive experience in corporate transactions (equity capital markets and M&A), and is currently heading BAHR's corporate practice group. Mr. Bakken joined BA-HR in 2000, partner from 2007

### Marius Hermansen (38) – Director

- Mr. Hermansen joined the Board in December 2015, he works for Frontline Management and is involved in S&P activities for Frontline and all related companies. Previously he worked for over 10 years at Fearnleys
- He was educated at the Norwegian School of Economics (NHH) in Bergen and started as a trainee with AP Moller-Maersk

**FLEX LNG in Brief**

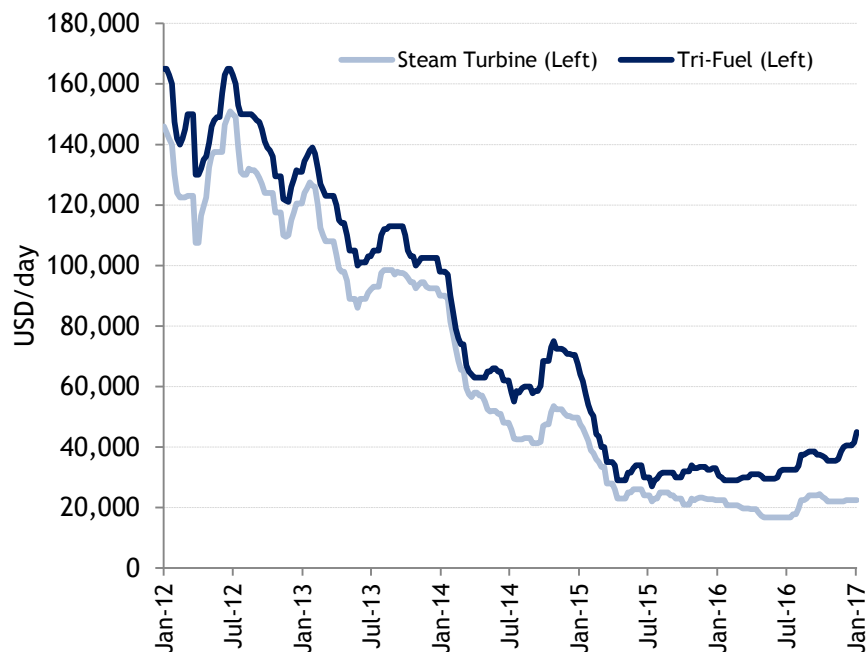
**LNG Shipping Market**

**Financials**

# LNG spot rates increasing

## Modern tonnage extracting incremental earnings due to efficiency

### LNG spot rates last 5 years



- LNG spot rates for modern Tri-Fuel LNGCs bottomed out in July 2015 but stayed around USD 30k/day until June 2016
- Tri-Fuel spot rates have inched up during H2 2016 and are quoted at around USD 50k/day as per January 2017
- Significant upside to 2011-2013 spot rate levels of >USD 100,000/day

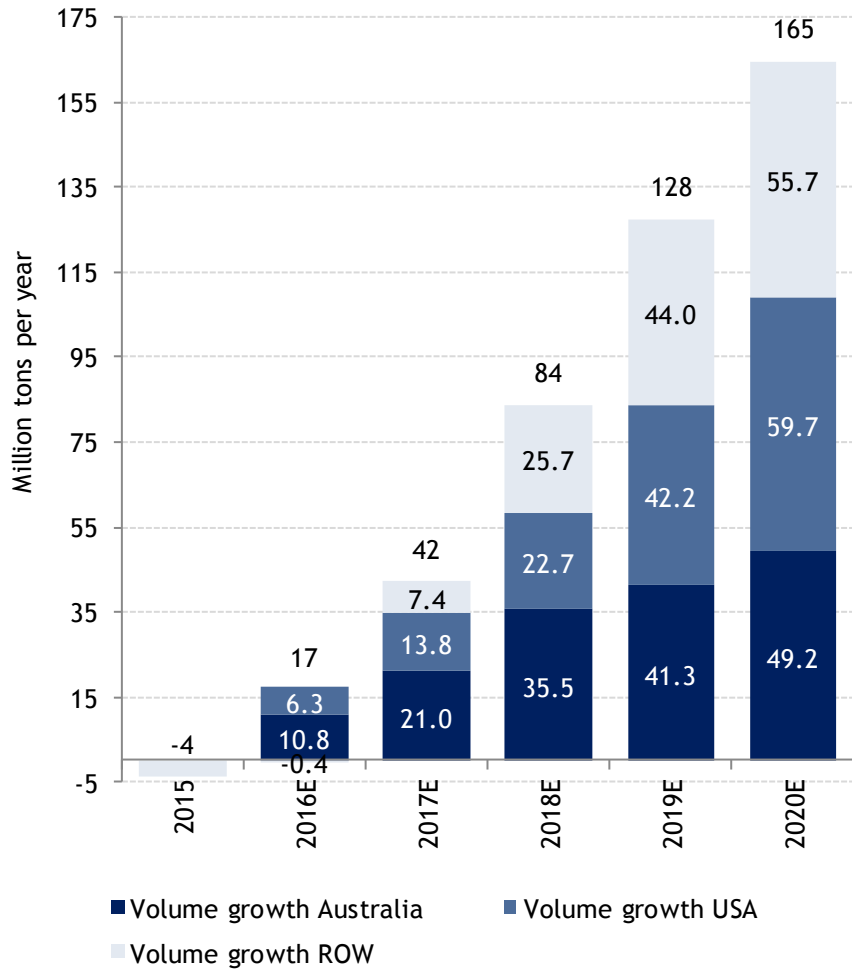
### Tri-fuel/steam differential 2015-current



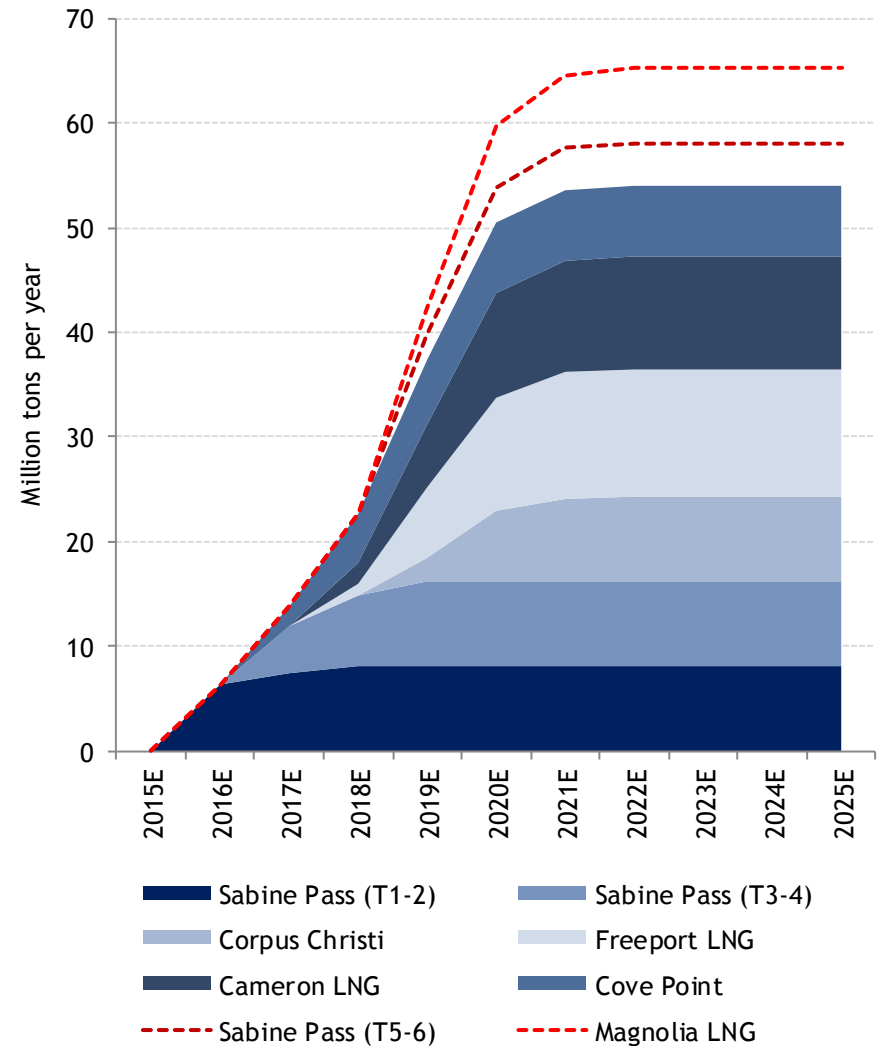
- The Tri-Fuel vs older steam turbine vessels rate differential has increased since Q2'2015 and is now at around USD 22k/day
  - Increase in incremental earnings for modern vessels despite significant drop in oil prices from USD 60-65/barrel in Q2'2015 demonstrates a resilient trend
  - Illustrate the relative disadvantage of older tonnage, expected to lead to high levels of older LNG vessels being removed

# Strong LNG demand growth from projects under construction

## Total LNG volume growth 2015-2020E



## US volume growth 2015-2025E<sup>1</sup>

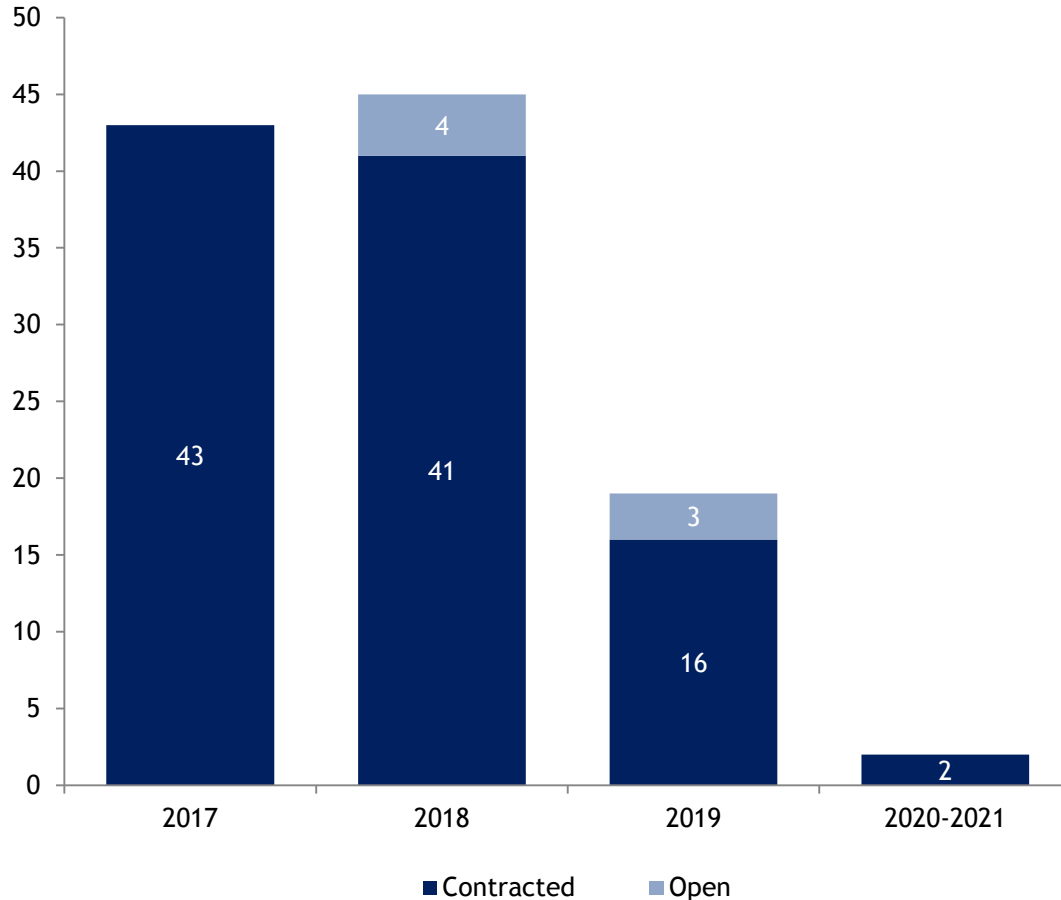


Source: Arctic Equity Research  
 Note: (1) Includes Sabine Pass T5-T6 and Magnolia which are under development, not under construction

# Most LNG newbuilds are committed on long-term projects

## Only 7 open LNGCs out of 109 through 2021

# of vessels

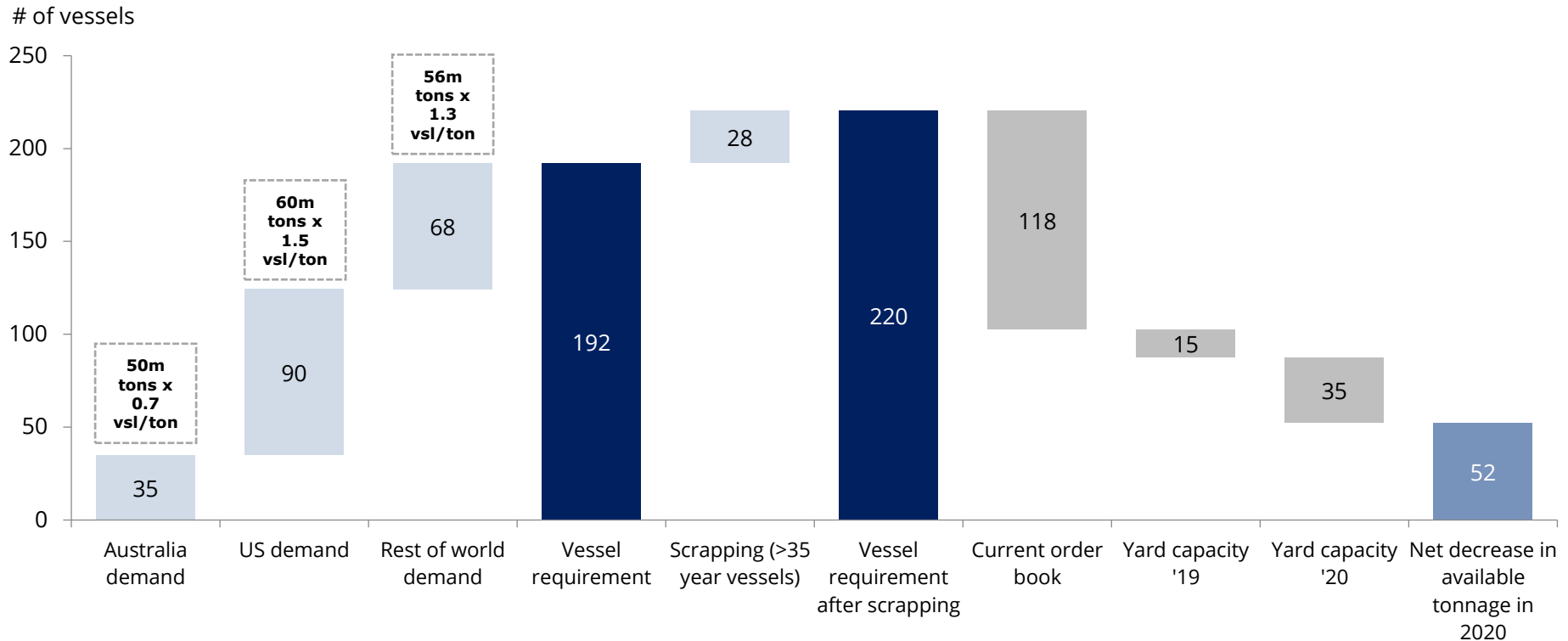


- The order book has a very low degree of uncontracted newbuilds
- 94% of the newbuilds in order book throughout 2021 have been announced as contracted by charterers, while the actual figure may be higher due to certain confidential contracts
- Flex LNG will control 4 out of a total of 7 uncontracted LNG newbuilds, all of which will deliver in 2018
- Expected strong demand for long-term charters on the uncommitted MEGI-newbuilds in the order book
- Only 5 LNG newbuilds were ordered in 2016, very low newbuild activity continues



# Tightening supply/demand balance with potential shortage of LNG vessels by 2020

## Simplified overview of incremental LNGC vessel demand and supply through 2020<sup>1</sup>



- The LNGC market is expected to tighten significantly with an estimated decrease in available tonnage of 52 vessel equivalents in the period until 2020 on conservative assumptions
  - US LNG export requires an estimated 1.5 LNGC per mtpa
  - Australian LNG export requires an estimated 0.75 LNGC per mtpa
- There is substantial upside to these estimates as the current low ordering activity makes it highly uncertain that 15/35 newbuild vessels will be ordered with 2019/20 delivery

# Summary of key LNG market trends

## Attractive Market Fundamentals: Strong Expected Growth

- **Supply:**
  - Global supply of LNG reached c. 250mmt in 2015 and the abundance and diversity of supply is set to make LNG the long-term fuel of choice
    - Significant growth in new liquefaction production capacity expected over the next few years; the majority of which coming from facilities in the US and Australia
    - Additional developments of natural gas discoveries in African countries will add to the longer-term export potential for LNG
- **Demand:**
  - The rise in the LNG market share of primary energy consumption is expected to continue going forward on the back of increased demand
    - Cheap gas makes LNG an attractively priced energy source with comparatively limited environmental footprint
    - Displacement of existing energy supply (coal/oil) coupled with the need to replace declining indigenous production
  - As a result, both total consumption and the number of countries importing LNG is expected to increase significantly over the next 5 years

## FSRUs

- **FSRUs provide the fastest, cheapest and most flexible path to LNG → ideally suited for new LNG importers lacking onshore infrastructure**
  - FSRUs expected to act as the main sink for short-term LNG supplies and as a tool for opening new markets
  - Based on the current supply / demand outlook, there is potential for 3 – 4 new FSRU contracts per year

## LNG Carriers

- **The LNG Carrier market is primarily driven by LNG supply → higher volumes will lift utilization and rates**
  - Positive trend set to continue with a gradual recovery as more capacity comes on stream with the market expected to balance by YE2018
  - Potential for a significant vessel shortage; assuming 192 new vessels required by YE2020 and current orderbook of 118 → shortfall of 74 LNGCs
- **Focus on bigger, more efficient and tradable vessels with the 174,000 cbm LNGC with MEGI propulsion replacing the smaller 155,000–165,000 cbm DFDE/TFDE LNGCs as the most efficient ECO-design vessel**
  - MEGI design is expected to result in annual savings of > USD 5.0 million per vessel compared to DFDE/TFDE
    - Significant fuel savings (c. 20–30t/day) and reduced boil-off gas
    - Reduced engine complexity will lower opex by c. USD 2,000/day

**FLEX LNG in Brief**

**LNG Shipping Market**

**Financials**

# FLEX LNG financials

## P&L

Figures in USD '000s	2015	2016 <sup>(1)</sup>
Operating revenues	0	0
Administrative expenses	2,228	1,483
<b>EBITDA</b>	<b>-2,228</b>	<b>-1,483</b>
Depreciation	3	2
<b>EBIT</b>	<b>-2,231</b>	<b>-1,485</b>
Finance income	20	9
Finance cost	267	314
<b>Profit before tax</b>	<b>-2,478</b>	<b>-1,790</b>
Income tax expense	7	-1
<b>Net income</b>	<b>-2,485</b>	<b>-1,789</b>

## Balance sheet

Figures in USD '000s	2015	2016 <sup>(1)</sup>
New building assets and capitalised costs	211,270	212,472
Plant and equipment	3	2
<b>Total non-current assets</b>	<b>211,273</b>	<b>212,474</b>
Other current assets	252	220
Cash and cash equivalents	3,722	1,439
<b>Total current assets</b>	<b>3,974</b>	<b>1,659</b>
<b>TOTAL ASSETS</b>	<b>215,247</b>	<b>214,133</b>
Share capital	1,279	1,279
Share premium	563,080	563,174
Other equity	-356,725	-358,511
<b>Total equity</b>	<b>207,634</b>	<b>205,942</b>
Other financial liabilities	7,000	7,000
<b>Total non-current liabilities</b>	<b>7,000</b>	<b>7,000</b>
Current liabilities	613	1,191
<b>Total current liabilities</b>	<b>613</b>	<b>1,191</b>
Total liabilities	7,613	8,191
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>215,247</b>	<b>214,133</b>

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