

Second Quarter 2018 Results Presentation

28 August 2018



FLEX LNG

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Company Highlights

- Took delivery of sister vessels Flex Ranger/Rainbow June/July
- Flex Enterprise and Flex Ranger employed for spot market
- Spot market fundamentals are improving as we are closing in on winter season 2018/19 after a fairly weak spring
- Weak trading of Flex Enterprise adversely impacted H1 results
- Following Rainbow SLB, fully financed the four 2018 LNGCs as well as pre-paid 20% of 2019/2020 newbuildings
- Healthy financial situation with 51% equity ratio and \$ 270 million available credit under Sterna RCF following execution of Rainbow SLB on 12 July 2018
- New management focused on executing on LNG transportation strategy



Income Statement

Unaudited Figures in USD, 000	Q2 2018	Q1 2018	H1 2018
Voyage revenues	7 048	15 053	22 100
Voyage related costs	-3 108	-11 909	-15 017
Administrative expenses	-929	-796	-1 726
EBITDA	3 011	2 348	5 357
Depreciation	-2 753	-2 311	-5 063
EBIT	258	37	294
Finance income	79	174	252
Finance cost	-3 174	-1 975	-5 145
Hedge gain	-20	-12	-36
EBT	-2 857	-1 776	-4 635
Income tax expense	0	-2	2
Net Income (loss)	-2 857	-1 778	-4 633

- Weak utilization and steaming costs of Flex Enterprise impacted revenues for the quarter adversely.
- The two remaining chartered-in vessels redelivered end of Q1 which have reduced revenues and corresponding chartered-in costs

Balance Sheet

Unaudited Figures in USD, 000	H1 2018	YE 2017		H1 2018	YE 2017	
Newbuildings and capitalised costs	173 845	594 937		Share capital	3 680	3 680
Vessel purchase prepayment	145 878	72 000		Share premium	885 388	885 323
Vessels	607 289	3		Other equity	-373 568	-368 902
Total non-current assets	927 012	666 940		Total equity	515 500	520 101
				Other financial liabilities	467 995	160 000
				Total non-current liabilities	467 995	160 000
Inventory	2 615	1 041		Current portion of long-term debt	14 438	0
Other current assets	1 520	6 568		Current liabilities	10 798	4 409
Cash and cash equivalents	77 584	9 961		Total current liabilities	25 236	4 409
Total current assets	81 719	17 570				
				Total liabilities	493 231	164 409
				TOTAL EQUITY AND LIABILITIES	1 008 731	684 510
TOTAL ASSETS	1 008 731	684 510				

- Three vessels delivered at book value of \$607 million, remaining Flex Rainbow newbuilding delivered 9 July
- Vessel purchase prepayments of \$ 146 million relates to 2019/20 newbuildings
- Sterna RCF drawn \$173.6 million at quarter end due to acquisition of Flex Aurora and Flex Amber.
 - Sterna RCF fully repaid in July following execution of Rainbow SLB
- Equity ratio of 51% and solid liquidity situation given availability of \$ 270 million RCF

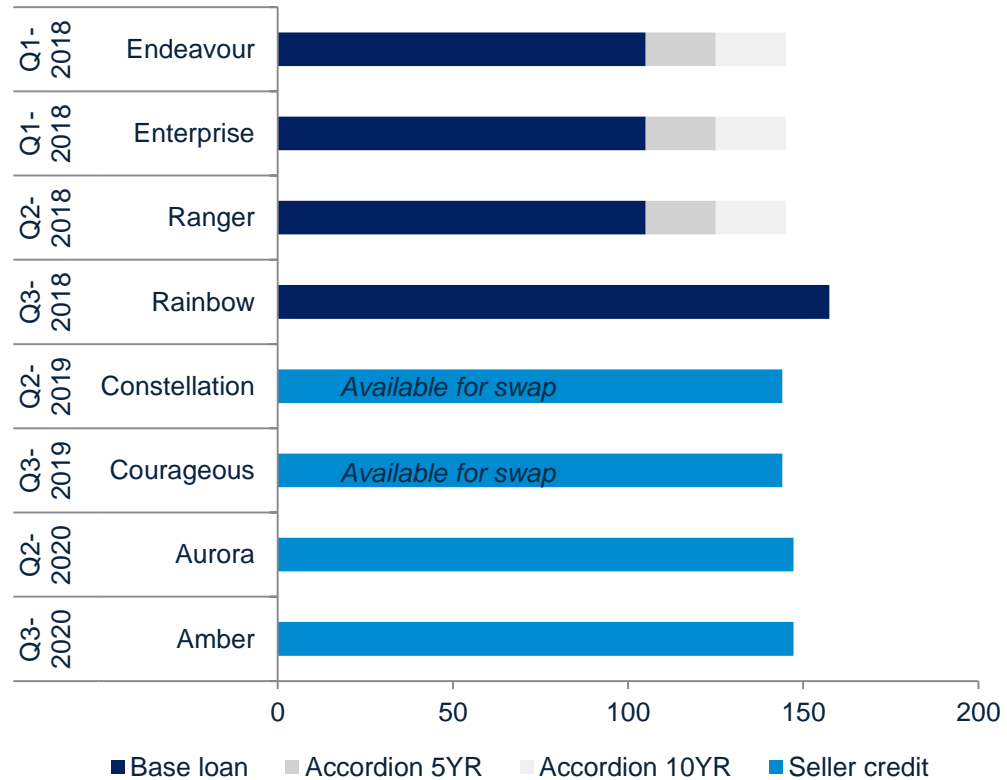
Cashflow

Unaudited Figures in USD, 000	Q2 2018	H1 2018
(Loss) Before tax	-2 857	-4 635
Working capital adjustments	6 872	4 969
Other non-cash items	2 790	5 113
Net cash flow from operating	6 805	5 447
Newbulding capex	-110 187	-189 839
Advanced payment for new build assets	-73 600	-73 600
Net cash flow used in investing	-183 787	-263 439
Net proceeds from issue of shares	0	0
Net proceeds from issuance of debt	218 688	428 688
Repayment of debt	-2 625	-102 625
Other	-480	-448
Net cash flow from financing	215 583	325 615
Net cash flow	38 601	67 623
Cash balance at the beginning of period	38 983	9 961
Cash balance at the end of period	77 584	77 584

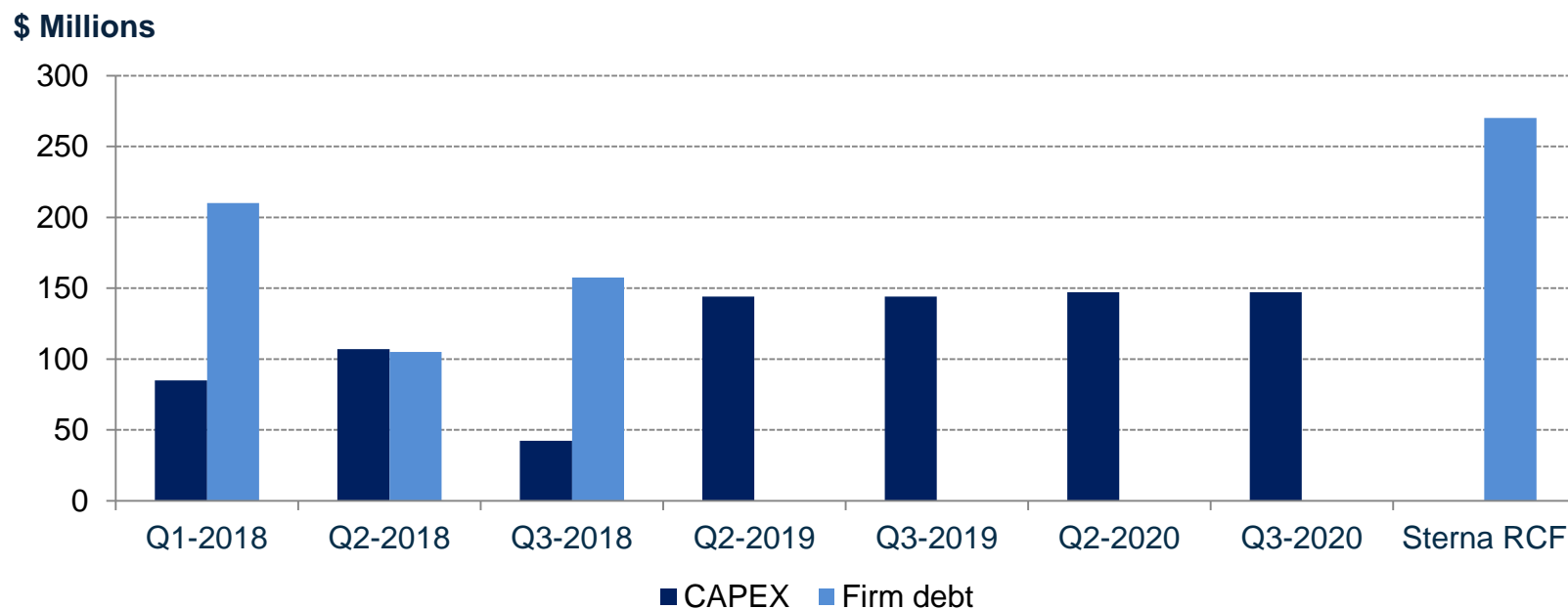
- About \$ 190m paid-in connection with newbuilding deliveries H1-2018
 - About \$8m Flex Endeavour
 - About \$8m Flex Enterprise
 - About \$110m Flex Ranger
 - About \$64m Flex Rainbow
- Prepayment for Flex Aurora and Flex Amber was \$73.6m in July 2018
- Utilized \$315m TLF in full during H1-2018
- Net drawings under Sterna RCF of \$17.6m
 - Fully repaid following execution of Rainbow SLB
 - Revolving credit of \$270m remain available

Flexible financing secured for all 2018 deliveries

- \$472.5m of attractive credit raised during 2018
- No requirement for fixed employment of vessels so we can charter out vessels opportunistically
- No financial covenants linked to earnings, linked to balance sheet measures i.e. cash and book equity
- Built-in flexibility for asset swaps and increased leverage in event of longer term contracts
- Newbuildings provided with built-in seller credit feature where 20% of purchase price has already been paid-in, while remaining 80% payment due at delivery
- Sterna Finance, an affiliate of Geveran, provided \$270 million Revolving Credit Facility (RCF) which mitigate financing risk for newbuildings
 - RCF has no commitment/arrangement fees.
 - As of today not utilized, but full amount available until mid-2020, thereafter \$30 million available to 2023 unless otherwise agreed.



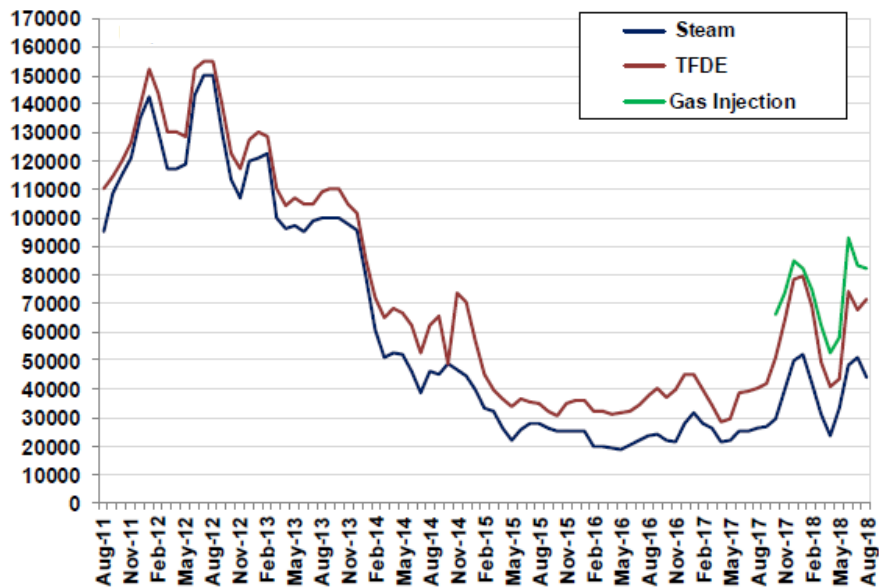
Comfortable funding situation



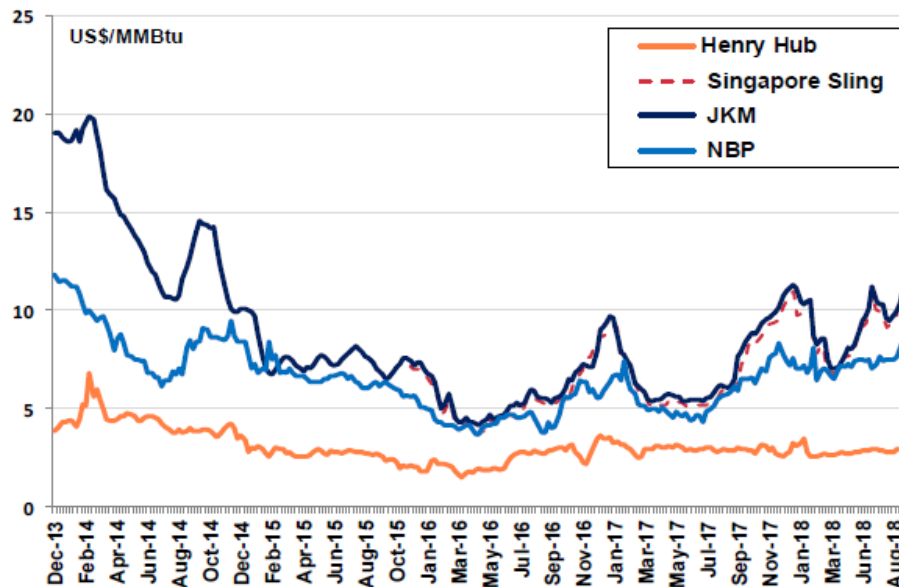
- Remaining capex of \$ 582.4m i.e. about \$145.6m per vessel
- So far raised \$ 472.5m of debt for the four first vessels which gives average of \$ 118.2m per vessel
- However, \$270m available under Sterna RCF and we expect to generate free cashflow going forward as LNGC market continues to improve

The recovery cycle have started

Estimated LNGC Spot Earnings



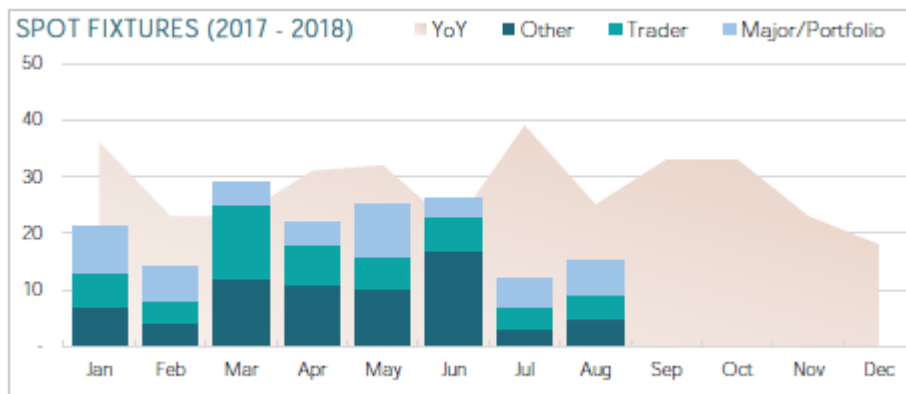
Natural Gas Prices by Region



- Early phase of the recovery cycle for LNGC shipping
- Spot rate improved before winter season 2017/18
 - Rates have rebounded after glut of available tonnage depressed rates coming out of the winter early 2018
 - Arbitrage opportunities due to volatile spread between European and Asian prices

Source: SSY

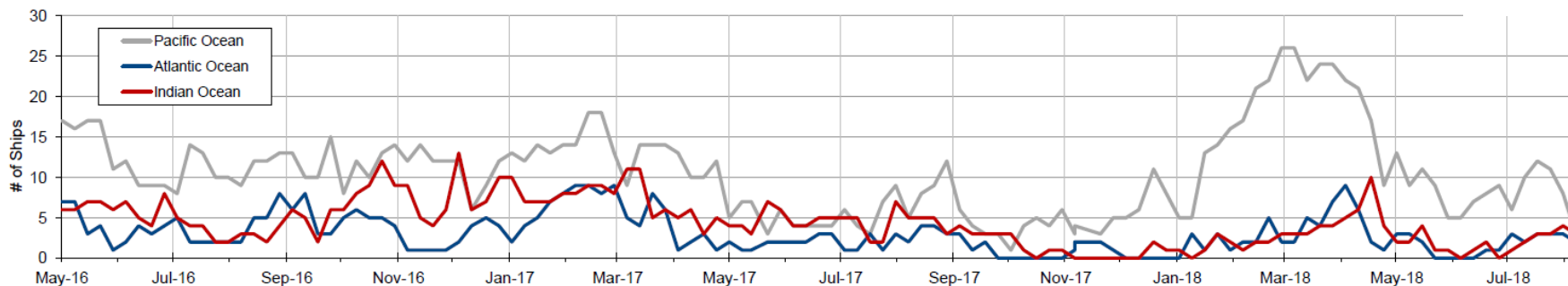
And charter rates are firming up



DAILY RATES (\$)	Atlantic	Middle East	Pacific
174 cbm 2-Stroke <i>change</i>	95,000 6%	90,000 -	90,000 -
160 cbm TFDE <i>change</i>	85,000 9%	80,000 7%	75,000 7%
145 cbm ST <i>change</i>	55,000 10%	52,000 4%	50,000 4%
Ballast Bonus	RT	RT	RT
SENTIMENT			
Short Term	Bullish	Bullish	Bullish
Medium Term	← Holding →		

Source: Affinity

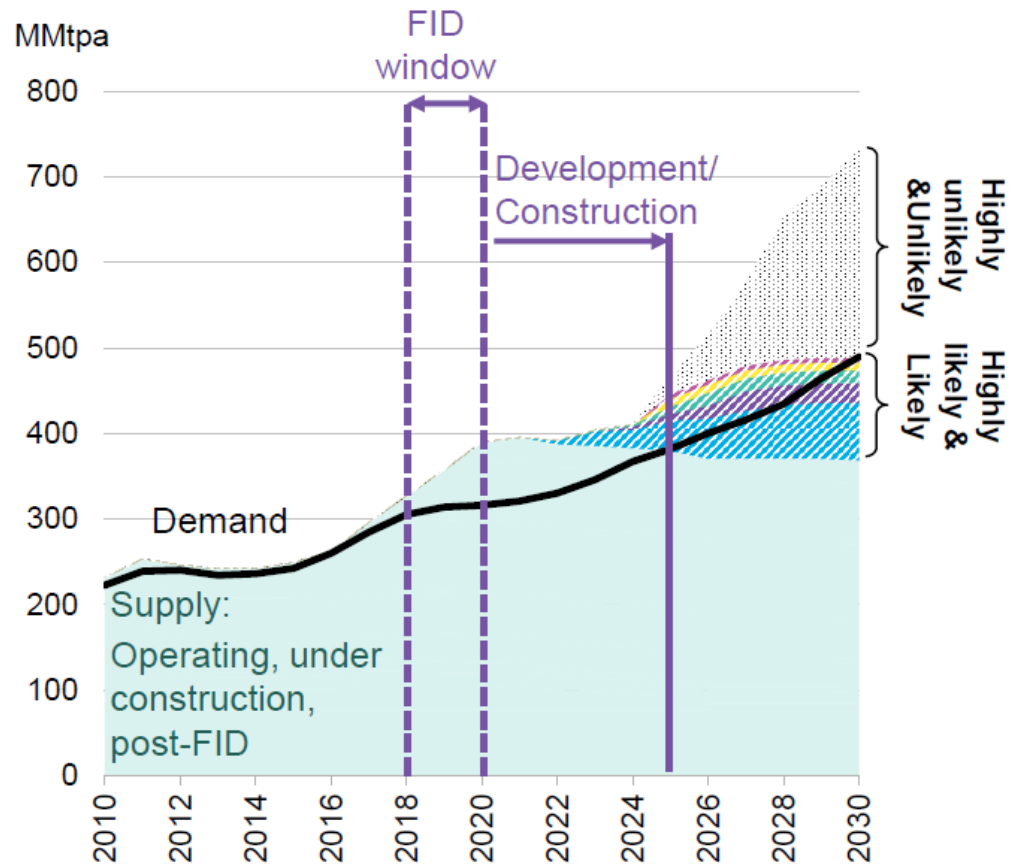
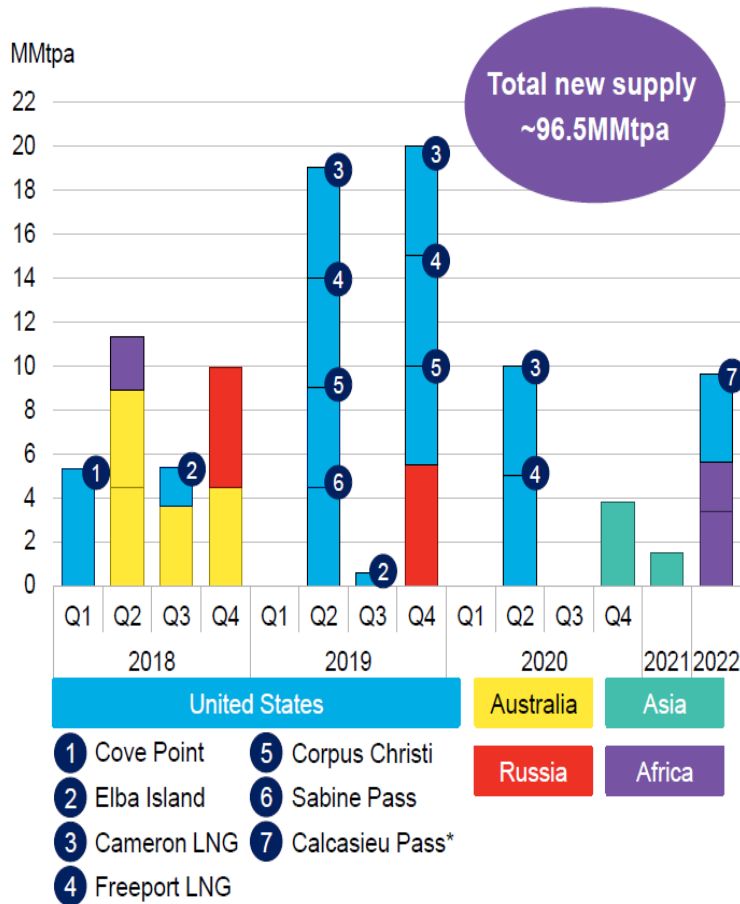
Available spot vessels in different basins



Source: Fearnleys

- Modern slow-speed two-stroke tonnage closing in on \$ 100k mark
- Vessel availability significantly reduced as charterers absorbed tonnage to secure capacity for the winter season

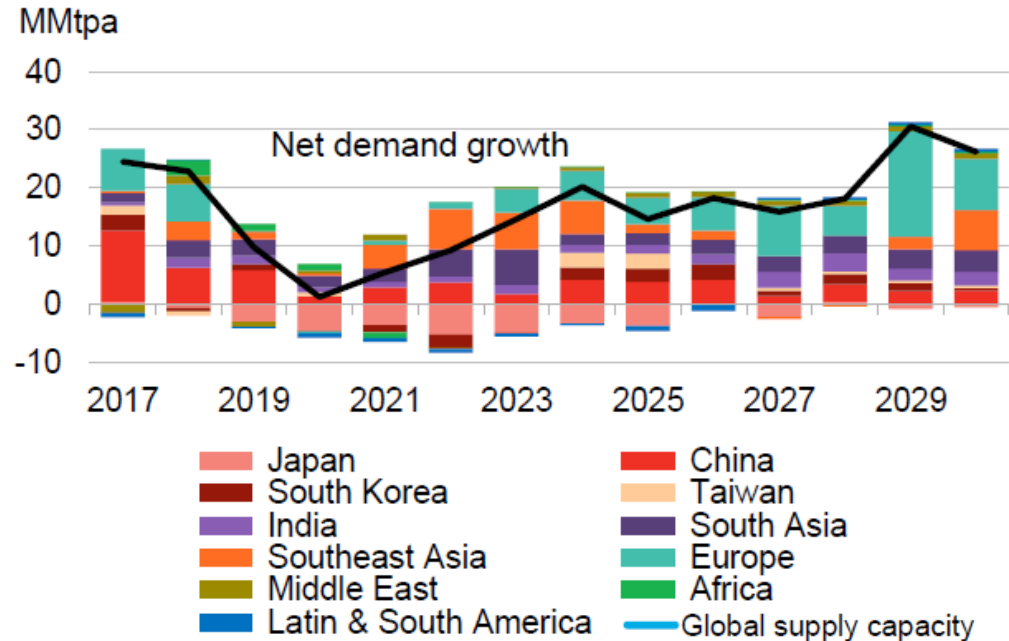
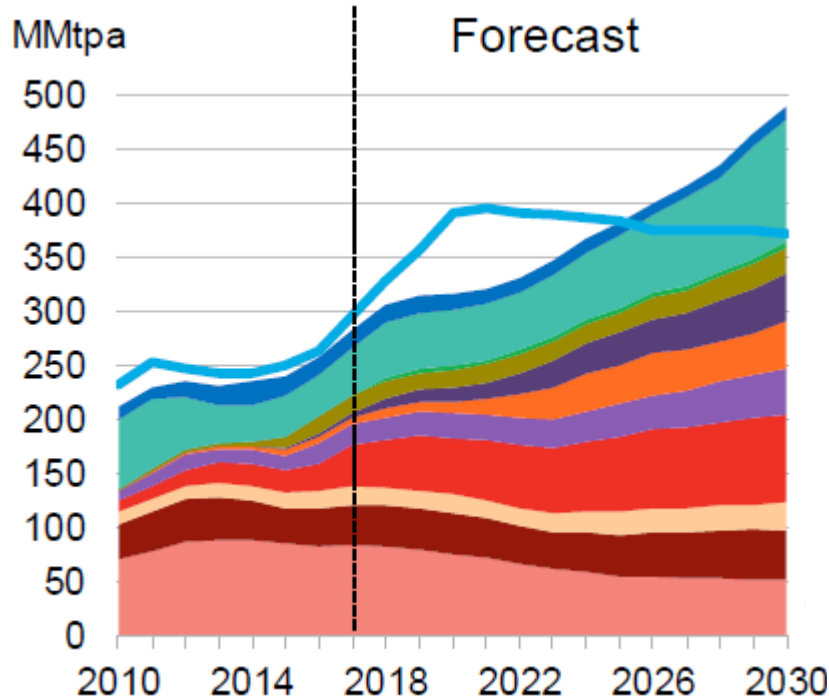
A wave of LNG is coming on-stream



- Demand expected to outstrip supply on or about 2025
- This means FID window for new projects are in 2018-2020 time frame

Source: Bloomberg New Energy Finance

Strong growth ahead for LNG

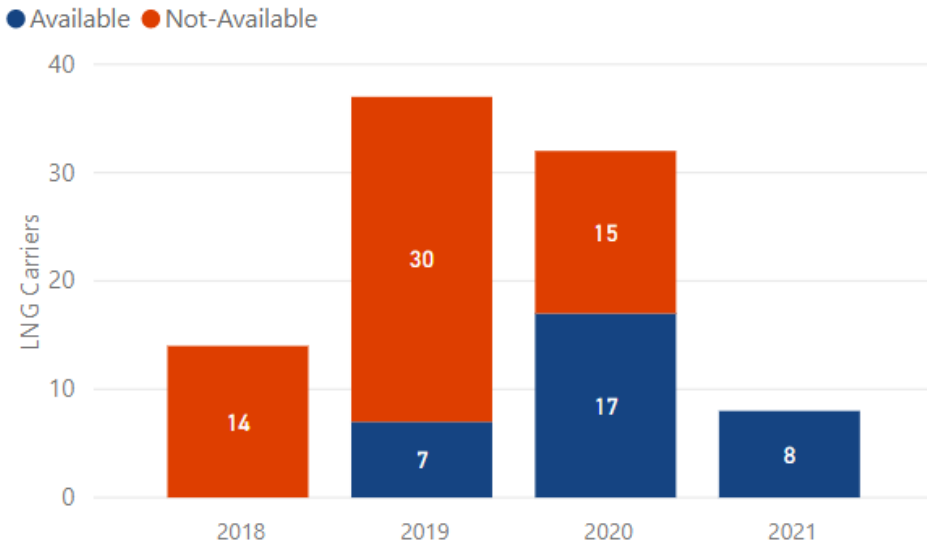


- 2017 Demand growth of 25MMtpa (9.6%) and is expected to grow about 20MMtpa (7.2%) in 2018
- China's increased demand was about half of the added volume in 2017
- High future demand growth is expected as natural gas increase it's market share in the energy matrix

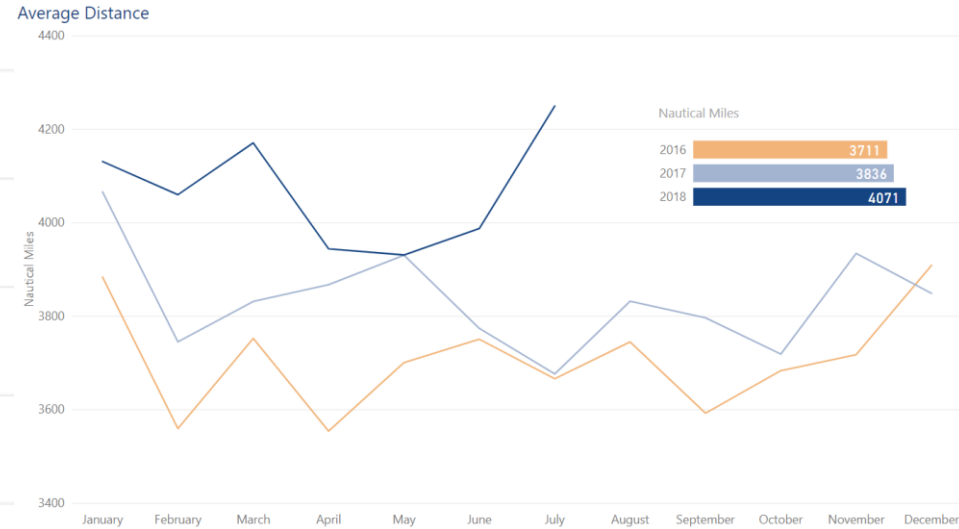
Source: Bloomberg New Energy Finance

Right Ships at the Right Time

Order book for large LNG carriers



Average sailing distances

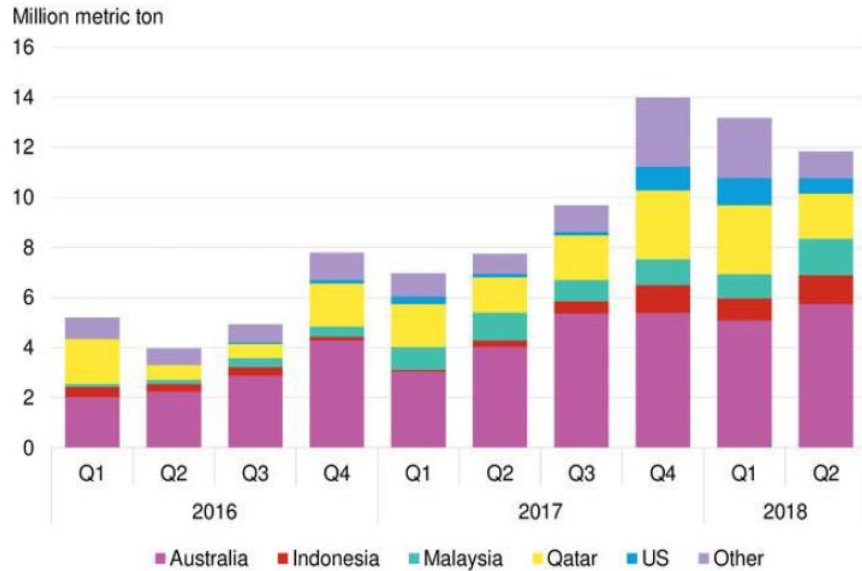


- About 90 orders for delivery in the period until 2021
- A deficit of about 40 vessels given start-up of about 96.5MMtpa in period 2018-2022
- Sailing distances up by about 10% last two years contributing to more shipping demand

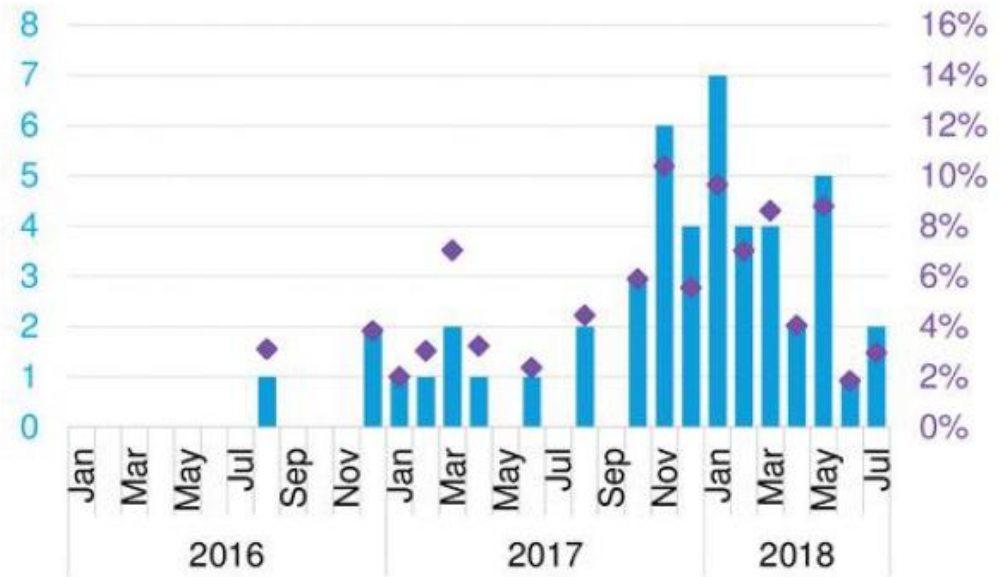
Source: Fearnleys

US-China trade conflict and impact for LNG trade

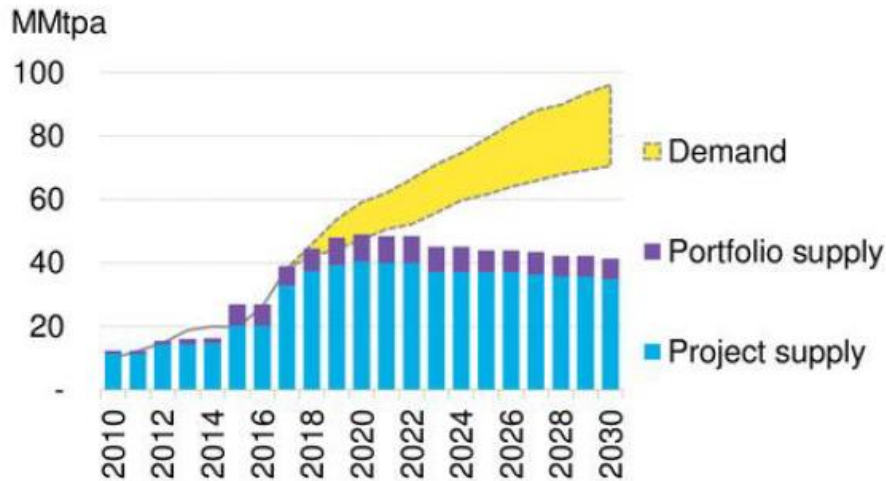
China's quarterly LNG import by country



of US cargos to China and US LNG market share in China



China's LNG demand and existing LNG contracts



“China is building a new coal-fired power plant every week and is set to surpass America as the biggest source of greenhouse gases within a year. If the world is to contain its carbon emissions, America must not only clean up its own act but also help China to green its economic growth.”

Economist, 17 May 2007

Summary and outlook

- Unsatisfactory trading results in H1-2018
- New management focused on improving trading results and is confident performance will improve
- Charter rates strengthening as we are approaching winter season
- All four LNGCs on the water fully financed and Company has a very healthy financial position for the remaining four newbuildings
- Very favorable near term and long-term fundamentals for LNG transportation



Q&A

