

# Interim Report Presentation

Period ending 31 December 2018

28 February 2019



FLEX LNG

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# Highlights

- Flex LNG reports fourth quarter Revenues of \$36.1m in line with guidance of approx. \$35m.
- Significantly improved EBITDA and Net Income of \$28.3m and \$15.2m versus \$12.7m and \$1.2m respectively in third quarter.
- In connection with a \$300m equity raise in October 2018, Flex LNG acquired five additional LNGCs bringing the fleet size to 13 vessels including newbuildings.
- \$250m attractive bank financing secured for Flex Constellation and Flex Courageous scheduled for delivery in June and August.
- From very tight market in fourth quarter to soft market in first quarter. We expect tighter market during 2019 due to glut of LNG coming online.
- Financial numbers for first quarter 2019 expected to be in line with third quarter 2018 due to lower headline rates and utilization.



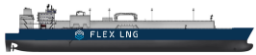
# Unique fleet comprising of 13 modern large 5<sup>th</sup> generation LNGCs

ME-GI and X-DF vessels are the most fuel-efficient and technically advanced LNGCs

## High Pressure

## Low pressure

### ME-GI



Ranger (2018)



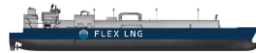
Rainbow (2018)

Initial Flex LNG LNGCs

### ME-GI with Partial Reliquefaction System



Endeavour (2018)



Enterprise (2018)



Constellation (2019)



Courageous (2019)

Acquired in 2017:  
\$329m equity issued

### ME-GI with Full Reliquefaction System



Reliance (2020)



Resolute (2020)



Freedom (2020)

Acquired in 2018: \$300m equity issued

### X-DF



Aurora (2020)



Amber (2020)

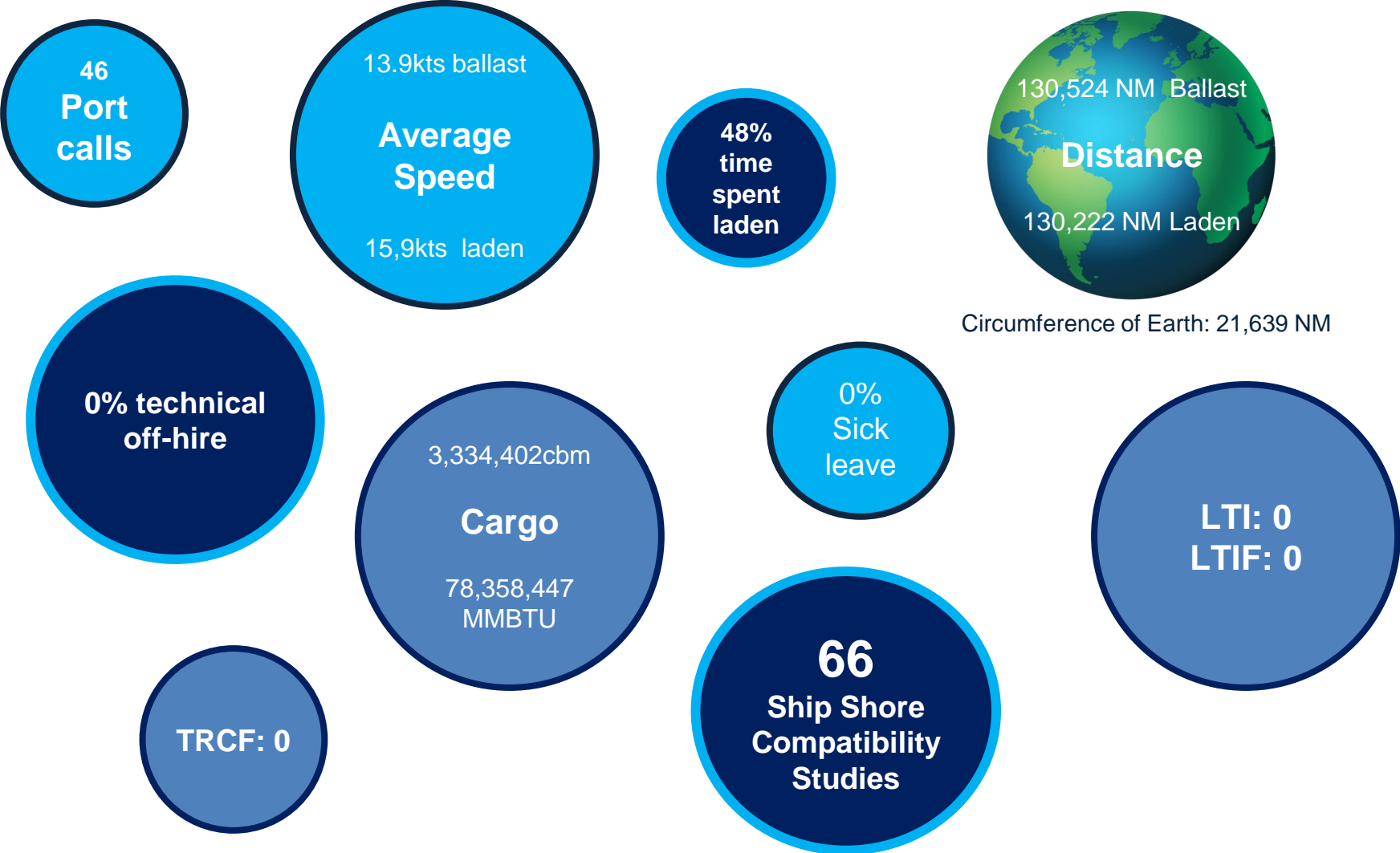


Volunteer (2021)



Vigilant (2021)

# The year in numbers illustrate first class operational performance



# Income Statement

| Unaudited Figures in USD, 000 | Q4 2018       | Q3 2018       | YTD 2018      |
|-------------------------------|---------------|---------------|---------------|
| Voyage revenues               | 36 101        | 19 008        | 77 209        |
| Voyage related costs          | -5 977        | -5 167        | -26 161       |
| Administrative expenses       | -1 781        | -1 132        | -4 639        |
| <b>EBITDA</b>                 | <b>28 343</b> | <b>12 709</b> | <b>46 409</b> |
| Depreciation                  | -6 872        | -5 477        | -17 412       |
| <b>EBIT</b>                   | <b>21 471</b> | <b>7 232</b>  | <b>28 997</b> |
| Finance income                | 283           | 72            | 607           |
| Finance cost                  | -6 511        | -6 124        | -17 781       |
| Other financial items         | -17           | -1            | -54           |
| <b>EBT</b>                    | <b>15 226</b> | <b>1 179</b>  | <b>11 769</b> |
| Income tax                    | 12            | -             | 10            |
| <b>Net Income (loss)</b>      | <b>15 238</b> | <b>1 179</b>  | <b>11 779</b> |

- Revenues of \$36.1m in line with guidance of approx. \$35m implying fleet TCE of about \$95kpdr and spot earnings of about \$130kpdr
- Increased revenues due to burgeoning spot market, with all-time high charter rates reported
- Net income of \$15.2m and \$11.8m for fourth quarter and full year 2018 respectively

# Balance Sheet

| Unaudited Figures in USD, 000      | YE 2018          | YE 2017        |                                      | YE 2018          | YE 2017        |
|------------------------------------|------------------|----------------|--------------------------------------|------------------|----------------|
| Newbuildings and capitalized costs | 0                | 594 937        | Share capital                        | 5 410            | 3 680          |
| Vessel purchase prepayment         | 421 472          | 72 000         | Share premium                        | 1 189 665        | 885 323        |
| Vessels                            | 812 489          | 3              | Other equity                         | -367 751         | -368 902       |
| <b>Total non-current assets</b>    | <b>1 233 961</b> | <b>666 940</b> | <b>Total equity</b>                  | <b>827 324</b>   | <b>520 101</b> |
|                                    |                  |                | Other financial liabilities          | 431 602          | 160 000        |
|                                    |                  |                | <b>Total non-current liabilities</b> | <b>431 602</b>   | <b>160 000</b> |
| Inventory                          | 915              | 1 041          | Current portion of long-term debt    | 23 365           | 0              |
| Other current assets               | 4 413            | 6 568          | Current liabilities                  | 12 095           | 4 409          |
| Cash and cash equivalents          | 55 097           | 9 961          | <b>Total current liabilities</b>     | <b>35 460</b>    | <b>4 409</b>   |
| <b>Total current assets</b>        | <b>60 425</b>    | <b>17 570</b>  | <b>Total liabilities</b>             | <b>467 062</b>   | <b>164 409</b> |
| <b>TOTAL ASSETS</b>                | <b>1 294 386</b> | <b>684 510</b> | <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>1 294 386</b> | <b>684 510</b> |

- Balance sheet consist of four vessels on the water and nine newbuildings under construction
- Vessel purchase prepayments of \$421m relates to the nine newbuildings
- Total interest bearing debt of \$455m of which \$23m is due next 12 months
- Equity ratio of 64% and very solid liquidity situation given availability of \$270m Sterna RCF

# Cashflow

| Unaudited Figures in USD, 000            | Q4 2018         | YTD 2018        |
|------------------------------------------|-----------------|-----------------|
| Net Income (loss)                        | 15 226          | 11 769          |
| Working capital adjustments              | 1 320           | 4 918           |
| Other non-cash items                     | 6 839           | 17 392          |
| <b>Net cash flow from operating</b>      | <b>23 385</b>   | <b>34 079</b>   |
| Newbuilding capex                        | 1 010           | -233 550        |
| Advanced payment for newbuilding assets  | -275 400        | -349 000        |
| <b>Net cash flow used in investing</b>   | <b>-274 390</b> | <b>-582 550</b> |
| Net proceeds from issue of shares        | 295 311         | 295 311         |
| Net proceeds from issuance of debt       | -               | 584 613         |
| Repayment of debt                        | -5 906          | -286 069        |
| Other                                    | 123             | -248            |
| <b>Net cash flow from financing</b>      | <b>289 528</b>  | <b>593 607</b>  |
| <b>Net cash flow</b>                     | <b>38 523</b>   | <b>45 136</b>   |
| Cash balance at the beginning of period  | 16 574          | 9 961           |
| <b>Cash balance at the end of period</b> | <b>55 097</b>   | <b>55 097</b>   |

- Positive operational cashflow of about \$23m and \$ 34m for the fourth quarter and 2018 respectively
- About \$ 234m of newbuilding capex in connection with deliveries during 2018
  - About \$7m each for Flex Endeavour/Enterprise
  - About \$110m each for Flex Ranger/Rainbow
- Prepayment of \$275m in connection with acquisition of five newbuildings in October 2018 in connection with the \$300m private placement of new shares
- Raised \$ 472.5m of external finance through bank loans and Rainbow SLB during 2018
  - Repaid Sterna RCF in full (outstanding \$160m at beginning of year)
  - Thus \$270m is currently available under this facility

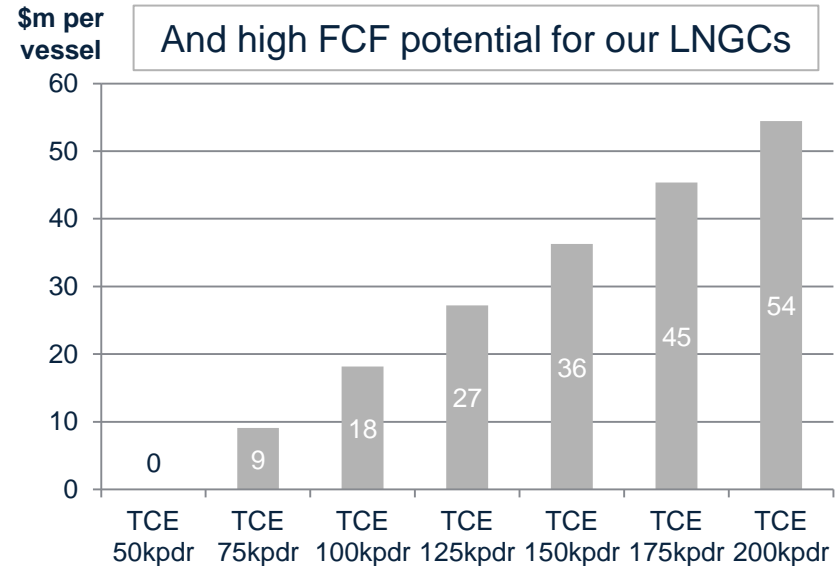
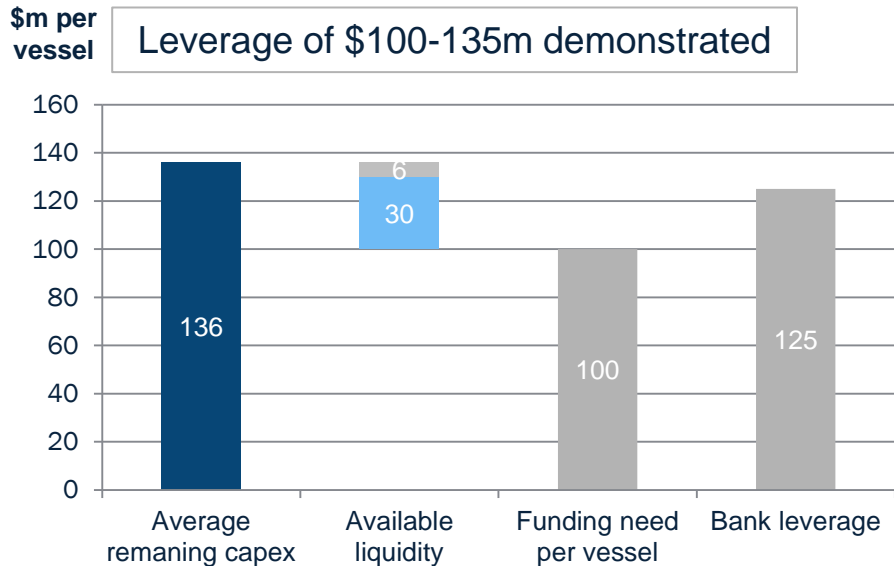
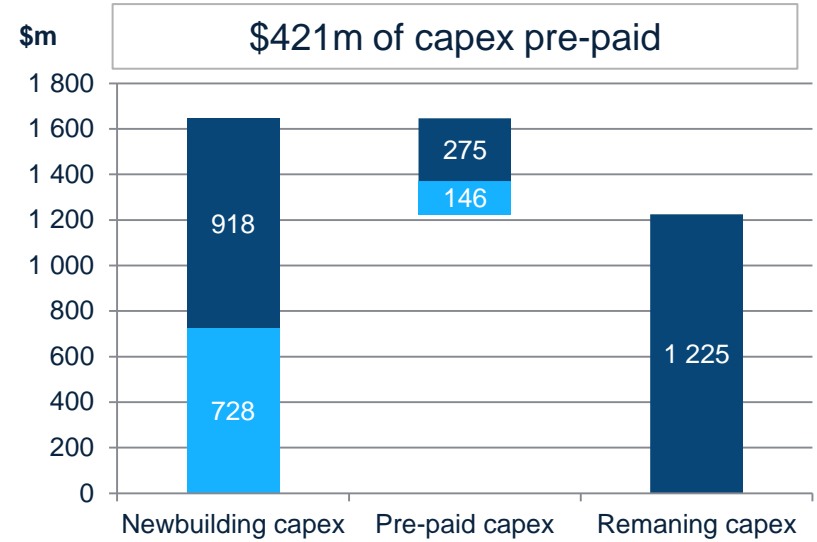
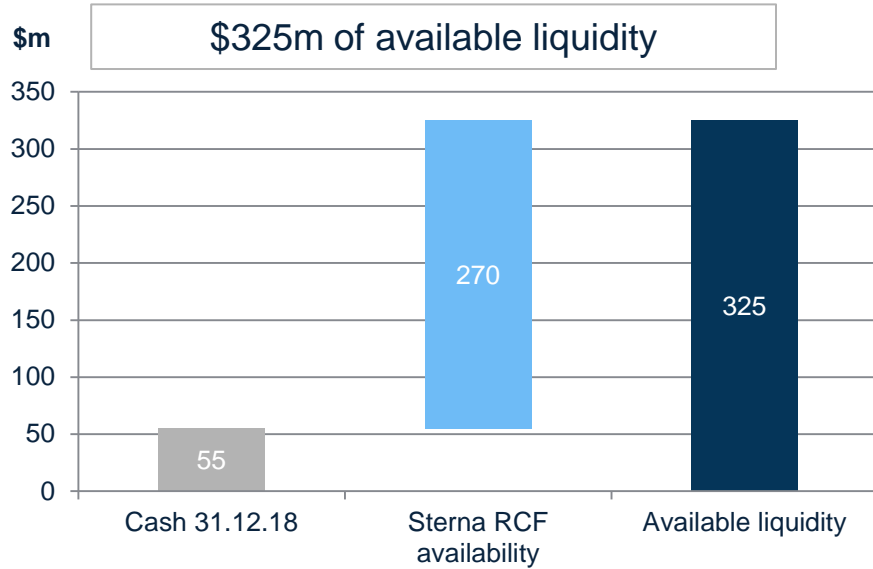


# Attractive take-out financing secured for 2019 deliveries

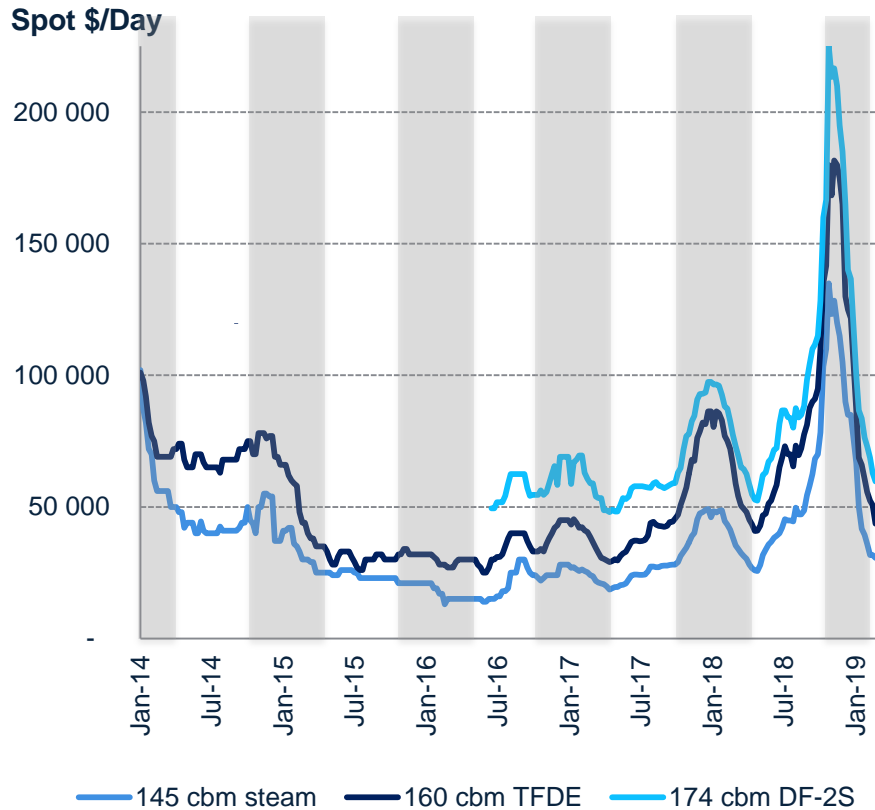
- \$250m post-delivery bank financing secured for Flex Constellation and Flex Courageous scheduled for delivery June and August 2018
- Blue-chip terms and conditions
  - Interest rate of Libor+235bps (margin)
  - Loan tenor of five years and repayment profile of 20 years
  - Gives attractive average cash break-even of about \$45kpdrr given prevailing interest rate level
- Flexible covenants for flexible employment strategy
  - No requirement for fixed employment of vessels enabling us to opportunistically employ the vessels as we see fit
  - No financial covenants directly linked to earnings of vessels
  - Financial covenants linked to book equity >25%,
  - Minimum free liquidity > \$25m and 5% NIBD, and
  - Positive consolidated WC
- Financing is subject to execution of definitive documentation and satisfaction of customary closing conditions which is expected to be finalized by April 2019



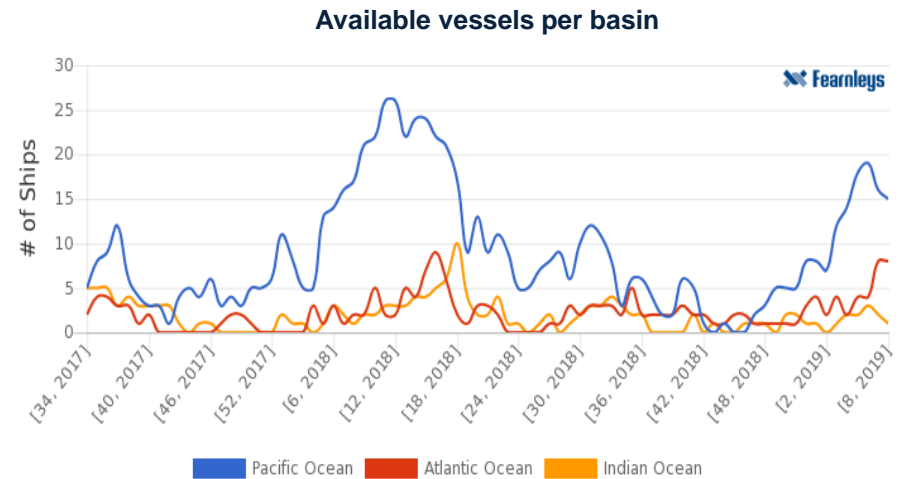
# Well capitalized for remaining newbuildings



# Freight market has been volatile this winter

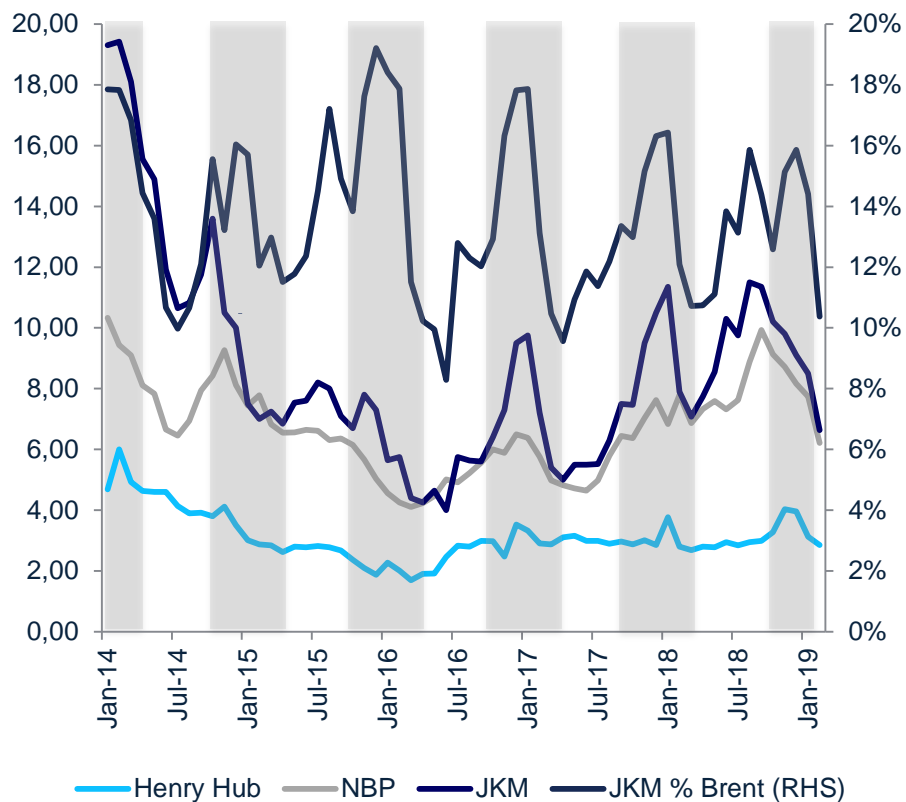


| Spot Market, daily rates (\$) |                        |             |           |
|-------------------------------|------------------------|-------------|-----------|
| Type of vessel                | Atlantic               | Middel East | Pacific   |
| 174 cbm 2-stroke              | 63 000                 | 58 000      | 58 000    |
| 160 cbm TFDE                  | 47 000                 | 42 000      | 42 000    |
| 145 cbm ST                    | 34 000                 | 29 000      | 29 000    |
| Ballast Bonus                 | Fuel + 50% Hire to Hub | Fuel only   | Fuel only |



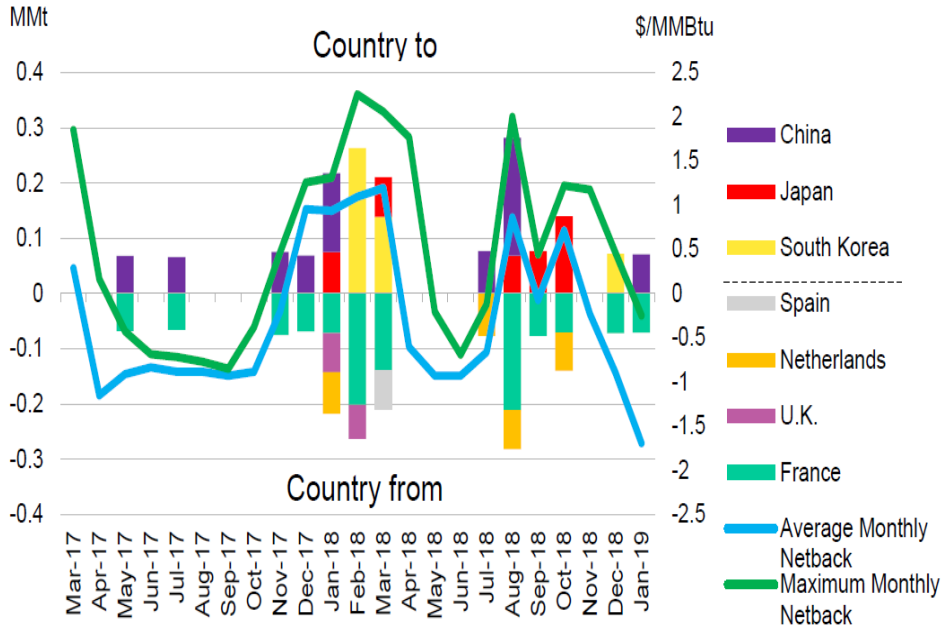
- Charter rates for dual fuel 2 stroke LNGC (5<sup>th</sup> gen) gone from peak of \$220kpdr to currently \$60kpdr
- Ballast bonus terms considerably less favourable than during start of winter when we could achieve TCEs above headline rates

## And the same is the case for the product market

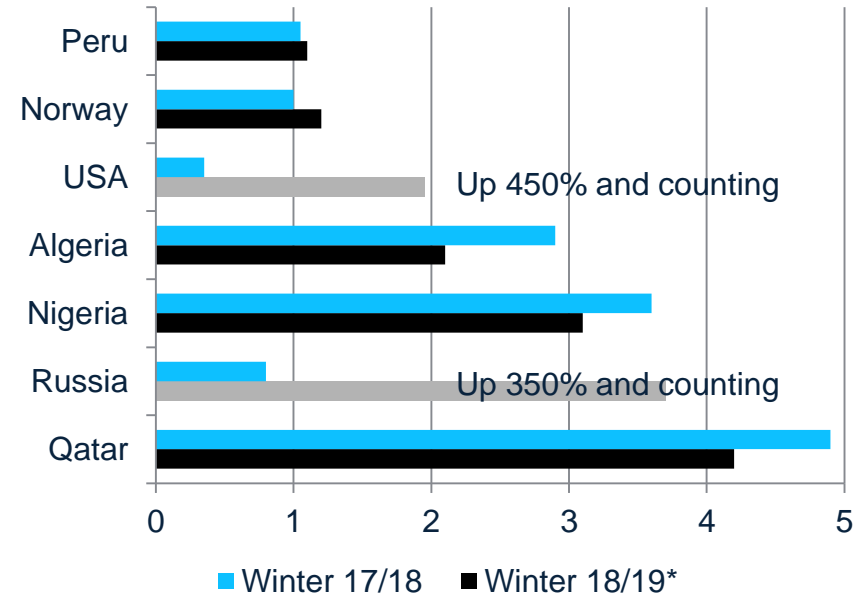


- Well supplied LNG market due to new capacity and warm winter has resulted in low gas prices throughout the winter season 18/19. JKM now at 17 months low and 3 year low versus Brent price.
- Due to higher European carbon prices and ample LNG supply, the spread between JKM and NBP/TTF has been very narrow

# What was different this winter



## Continental European LNG import destinations

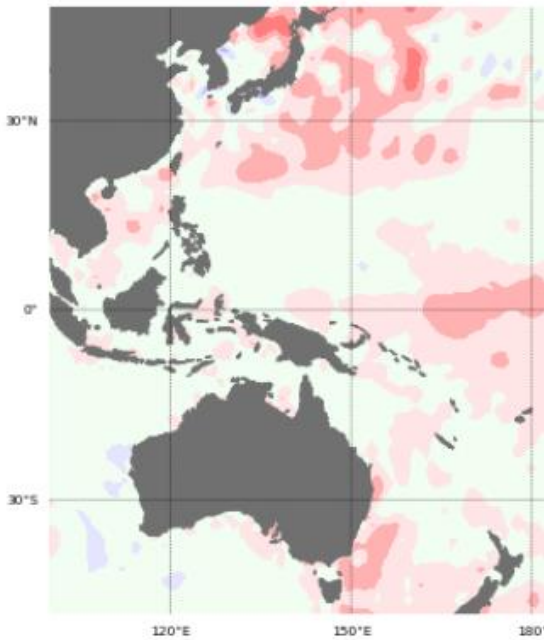


\* Cumulative figures Oct-Mar. Winter 18/19 numbers from 1 Oct to 24 Feb 2019

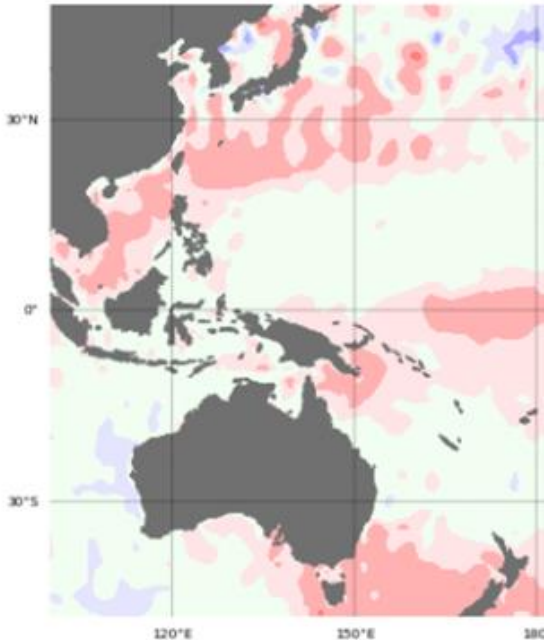
- Historically, Asian LNG prices (JKM) has been trading at a premium to European gas prices (NBP/TTF)
  - This spread adjusted for the cost of shipping is called the JKM netback
- During this winter season, the spread has been negative meaning it's uneconomical to shift LNG to Asia
- High relative European gas prices and negative JKM netback have resulted in a spike of LNG from US (≈450%) and Russia (≈350%) routed to Europe meaning lower ton/mileage

# El Nino conditions have resulted in higher temperatures in Pacific

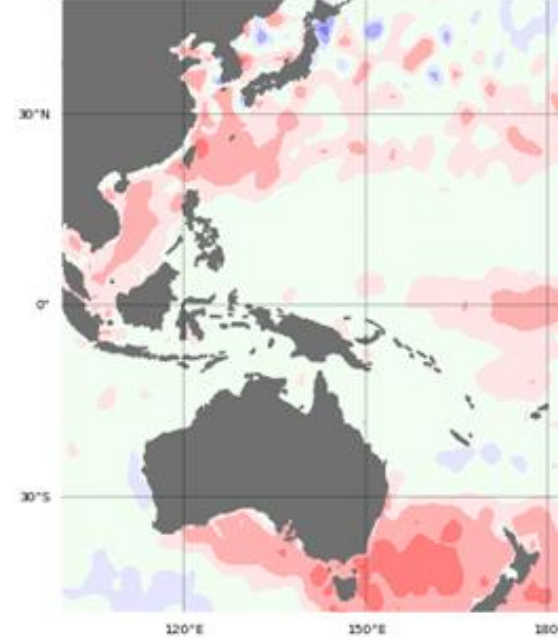
## Sea Surface Temperature in Pacific



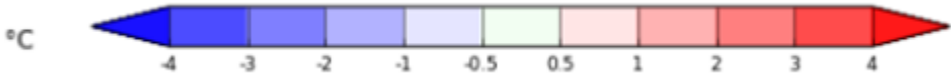
November 2018



December 2018

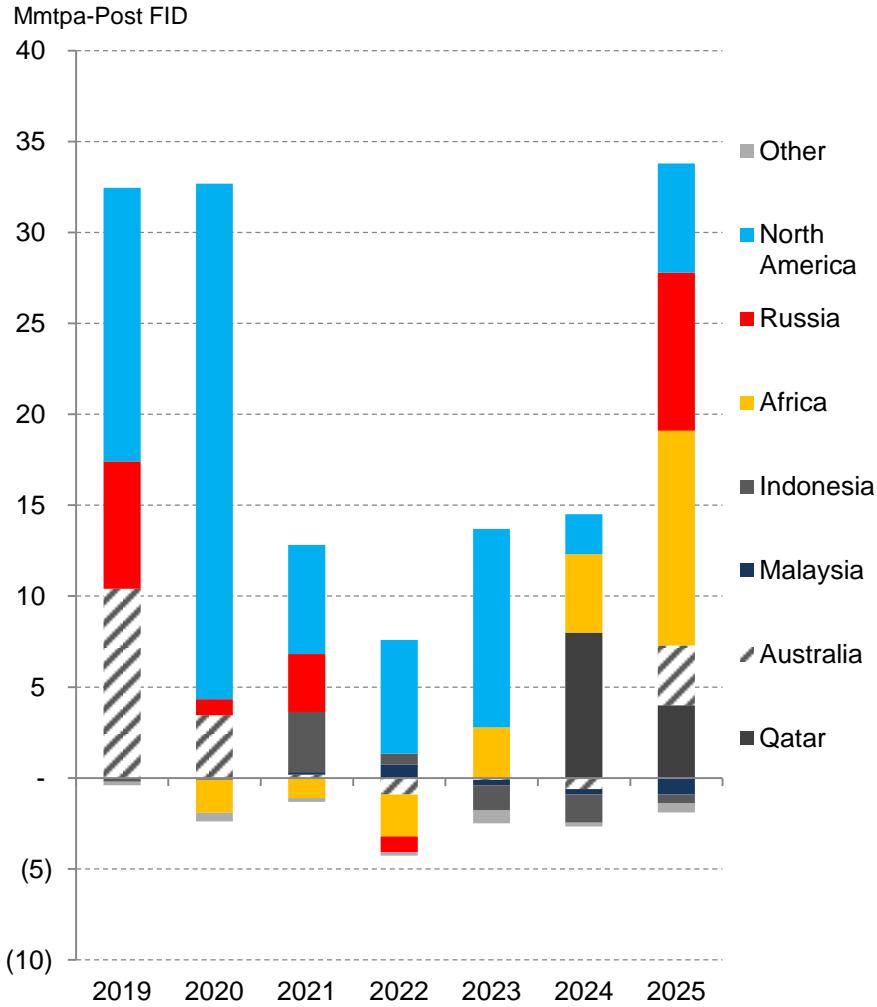


January 2019

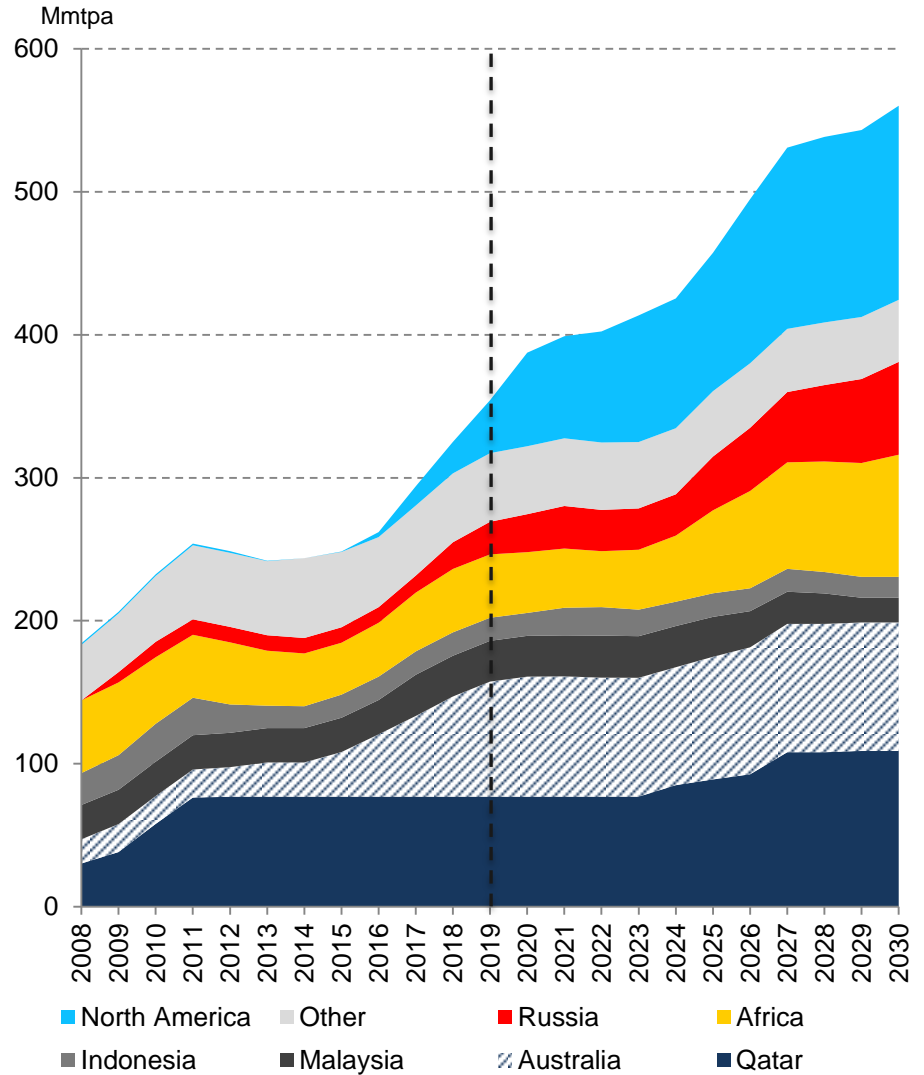


# Glut of LNG coming to the market

Year on Year Change LNG Export Volumes

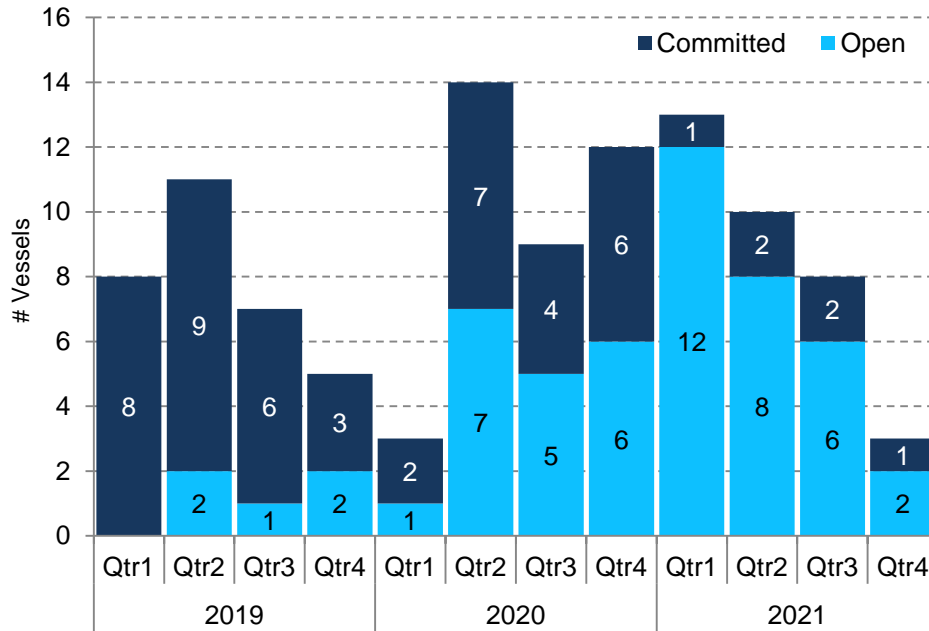


Post FID AND Likely LNG Export Projects

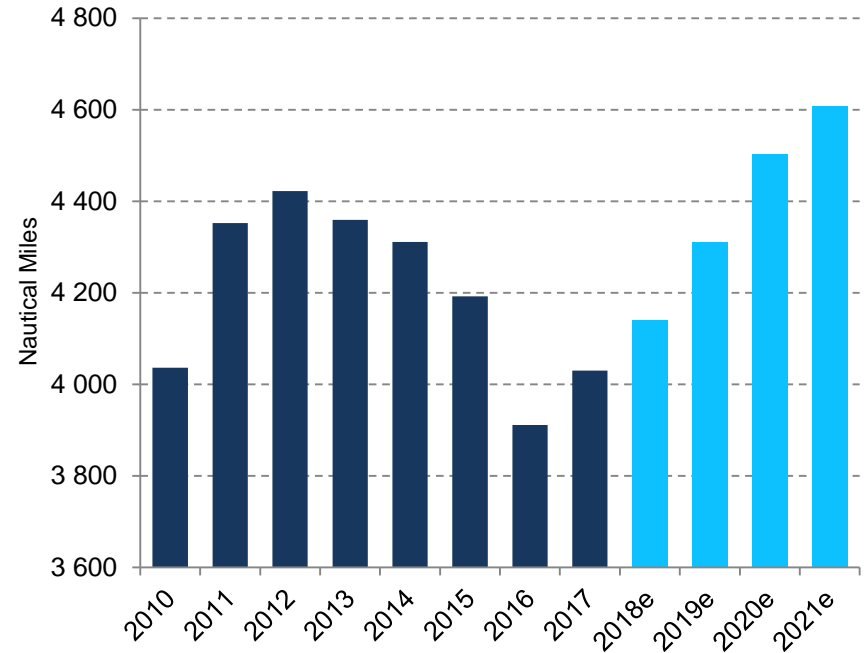


# Few available vessels before 2020

## Order book for large LNG carriers



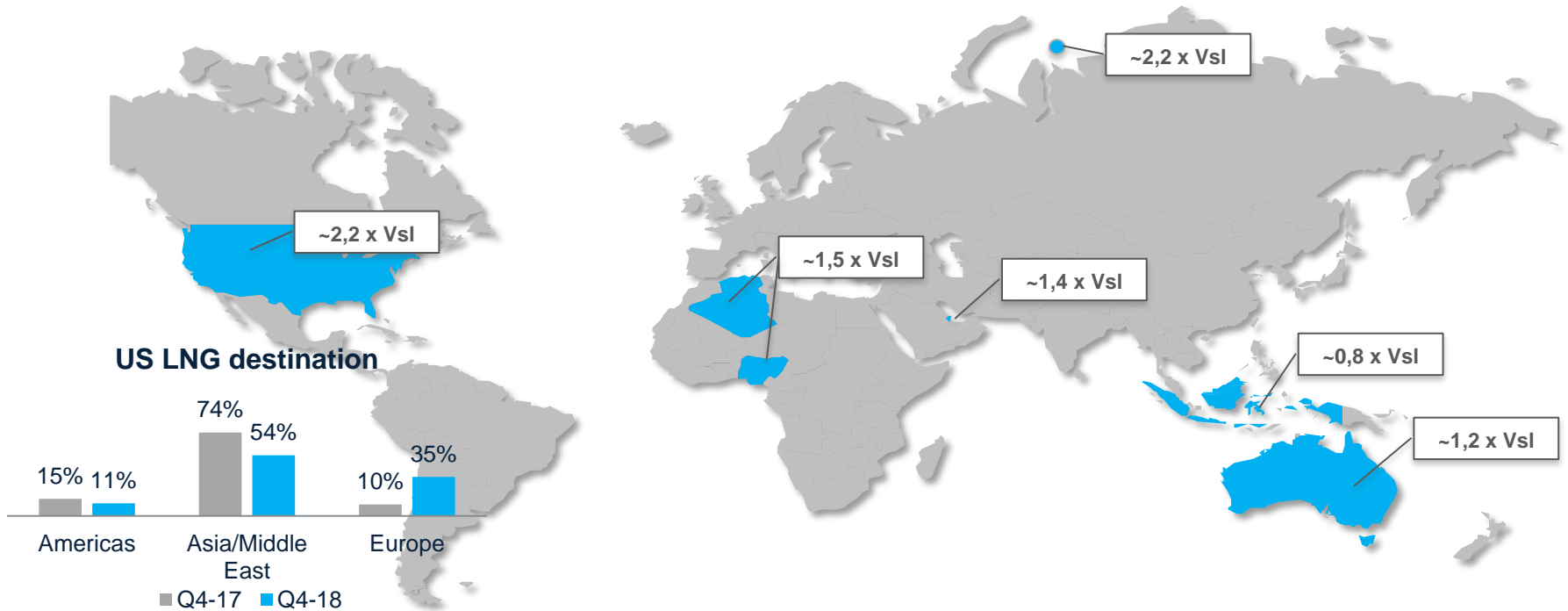
## Average sailing distances (laden)



- We have registered 103 LNGC orders for delivery in the period until 2021 including 6 Arc 7 LNGCs
- About 38 vessels in total scheduled for delivery in 2019 as eight vessels delivered so far in Q1
- Very limited open vessels before mid-2020
- Increased sailing distances supportive of LNGC demand



# Tonnage demand by key LNG export areas



| Country / Region                  | 2018        |             | New Export MT | 2019E Vessel Demand | New % split Supply |
|-----------------------------------|-------------|-------------|---------------|---------------------|--------------------|
|                                   | % of Supply | Multiplier  |               |                     |                    |
| Africa                            | 10 %        | 1,46        | 0,70          |                     | 9 %                |
| Australia                         | 22 %        | 1,16        | 10,5          | 12,2                | 21 %               |
| Qatar                             | 24 %        | 1,39        |               |                     | 23 %               |
| South East Asia                   | 15 %        | 0,83        |               |                     | 14 %               |
| U.S.                              | 7 %         | 2,19        | 15,0          | 32,9                | 10 %               |
| Row                               | 22 %        | 1,50        | 7,0           | 15,4                | 23 %               |
| <b>Volume weighted multiplier</b> |             | <b>1,34</b> | <b>33,2</b>   | <b>60</b>           | <b>1,37</b>        |

# of Vessels needed to deliver 1 MT of LNG gradually increasing as especially US and Northern Russia (winter) volume grows. 2018/2019 the multiplier is expected to increase by 2,5%, absolute volume by 9%, fleet by ~10%

# Summary and outlook

- Delivered on financial guidance for fourth quarter with Revenues of \$36.1m and Net Income for the quarter of \$15.2m
- Secured financing for the two 2019 LNG newbuildings at attractive terms
- Expect first quarter numbers to be in line with third quarter due to soft market early 2019
- Very favorable fundamentals for LNG transportation
- Flex LNG well positioned with a fleet of 13 modern LNGCs





# Q&A