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FLEX LNG

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Company Highlights

1

2

4 LNGCs on the water, 4 under construction (2019/20)

All LNGCs are 5th generation (MEGI or X-DF)

3

All 4 LNGCs financed and healthy balance sheet

4

LNG market early phase of long term recovery

5

Focused pure play strategy

Market for seaborne LNG transport is maturing

From point-to-point utility business to global tradeable commodity business

LNG 1.0



LNG 2.0



LNG 3.0



- 1960s to mid 2000s
- Traditional liner model (P2P)
- Back2back contracts 20yr+
- Steam vessels (≈ 180 tpd)
- Leverage: 80-100%
- Utility business
- Libor spread yield

- Mid-2000s – about now
- Portfolio players
- Term contracts (7-15yr)
- DFDE/TFDE vessels (≈ 135 tpd)
- Leverage: 70-80%
- MLP business
- MLP yield

- The way of the future
- Commoditization of LNG
- Short and medium term contracts
- Two-stroke low-speed (≈ 100 tpd)
- Leverage: 50-75%
- Capital market business
- ROCE

Yearly liquefaction capacity:

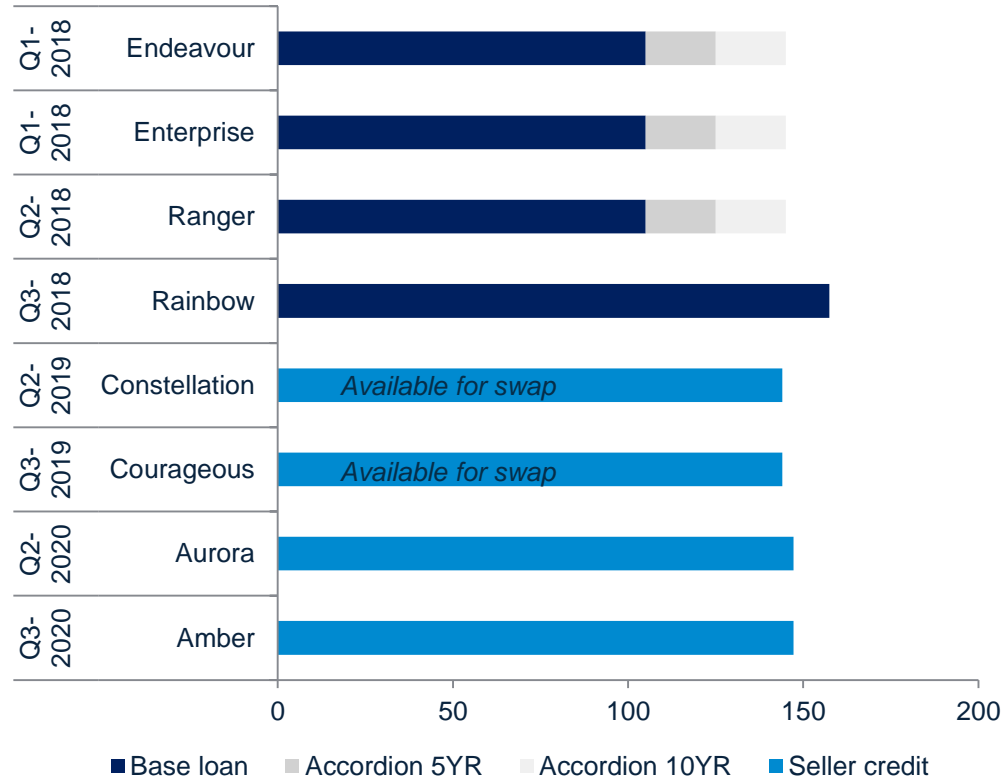
2000: ≈ 100 MMtpa

2010: ≈ 200 MMtpa

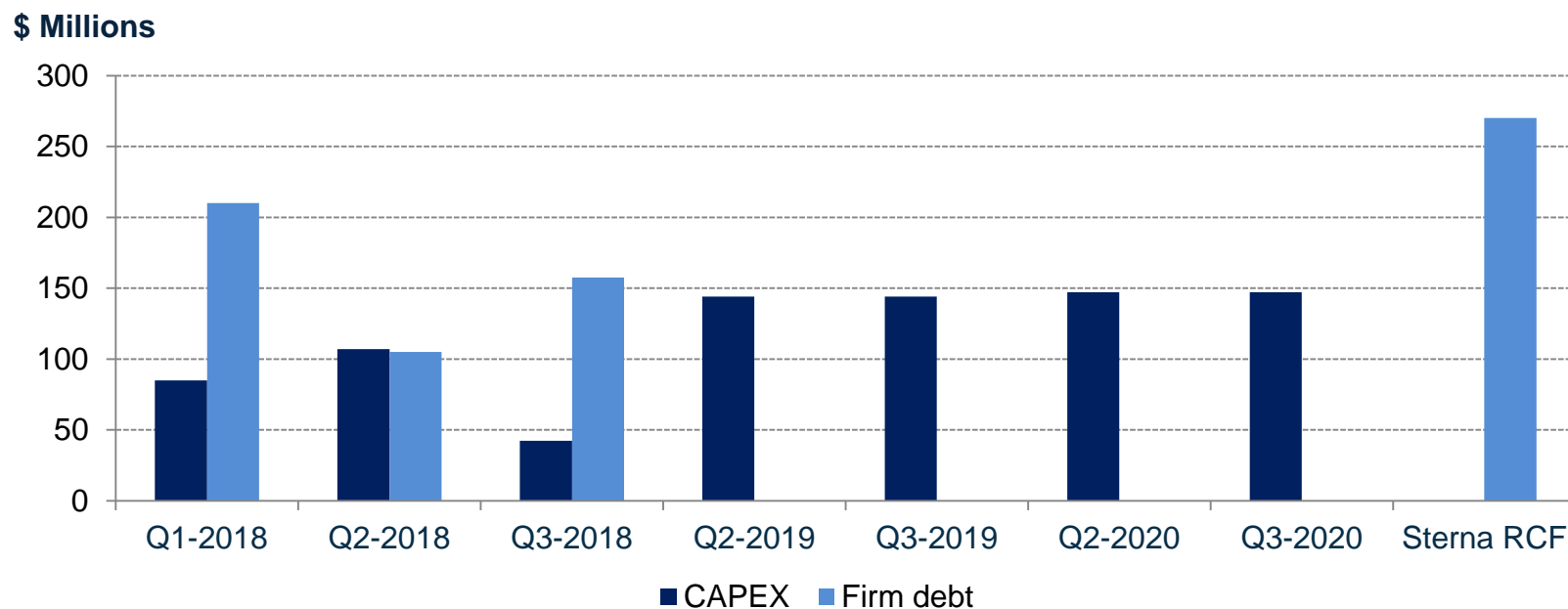
2020: ≈ 400 MMtpa

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.



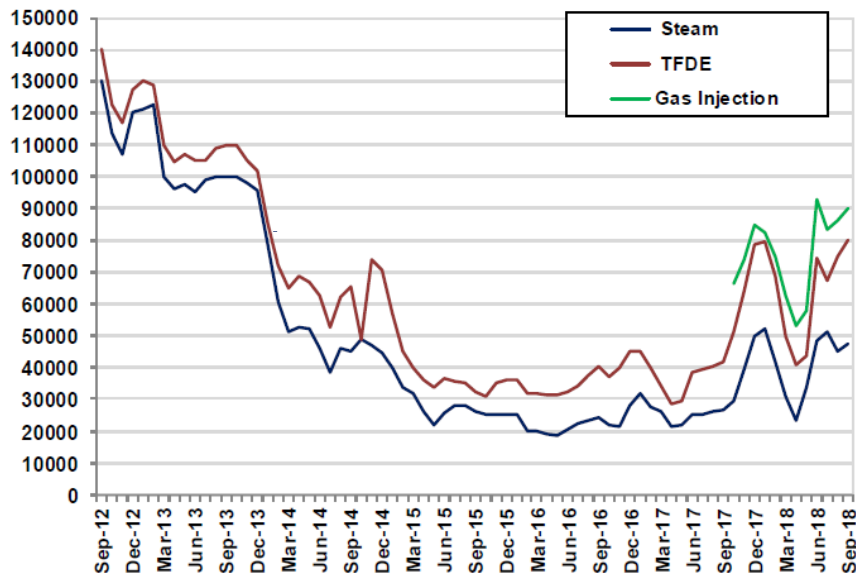
Comfortable funding situation



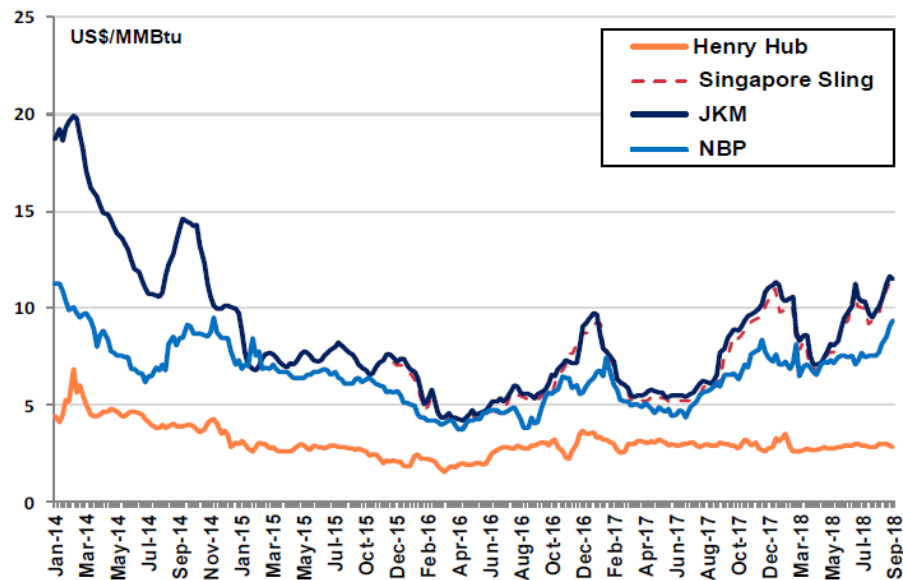
- Remaining capex of \$ 582.4m i.e. about \$145.6m per vessel
- So far raised \$ 472.5m of debt for the four first vessels which gives average of \$ 118.2m per vessel
- However, \$270m available under Sterna RCF and we expect to generate free cashflow going forward as LNGC market continues to improve

The recovery cycle have started

Estimated LNGC Spot Earnings



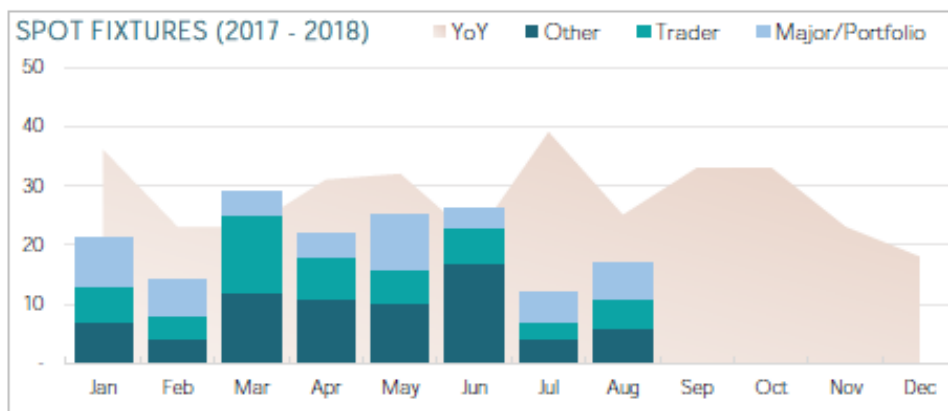
Natural Gas Prices by Region



- 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

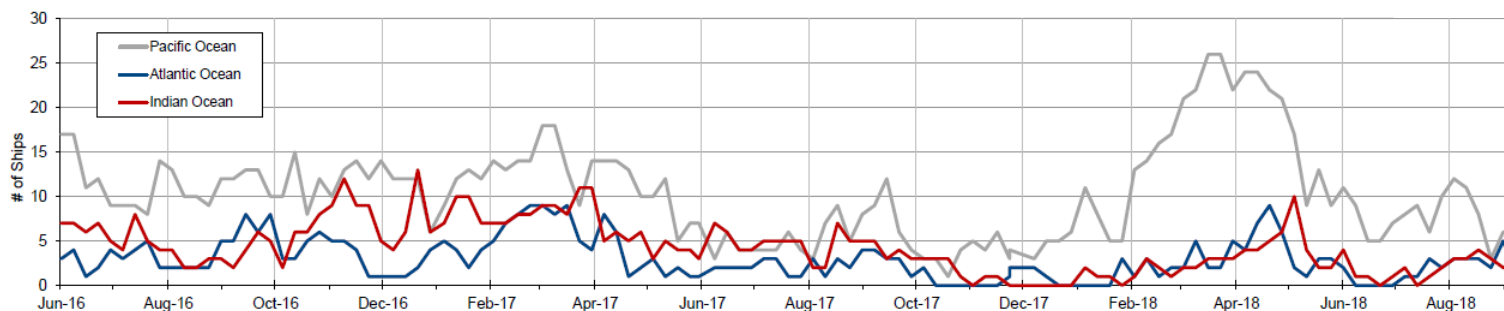
And charter rates are firming up



DAILY RATES (\$)	Atlantic	Middle East	Pacific
174 cbm 2-Stroke <i>change</i>	110,000 -	110,000 10%	110,000 -
160 cbm TFDE <i>change</i>	92,000 -	90,000 3%	88,000 6%
145 cbm ST <i>change</i>	68,000 -	65,000 5%	65,000 5%
Ballast Bonus	RT	RT	RT
SENTIMENT			
Short Term	Bullish	Bullish	Bullish
Medium Term	←----- Holding -----→		

Available spot vessels in different basins

Source: Affinity

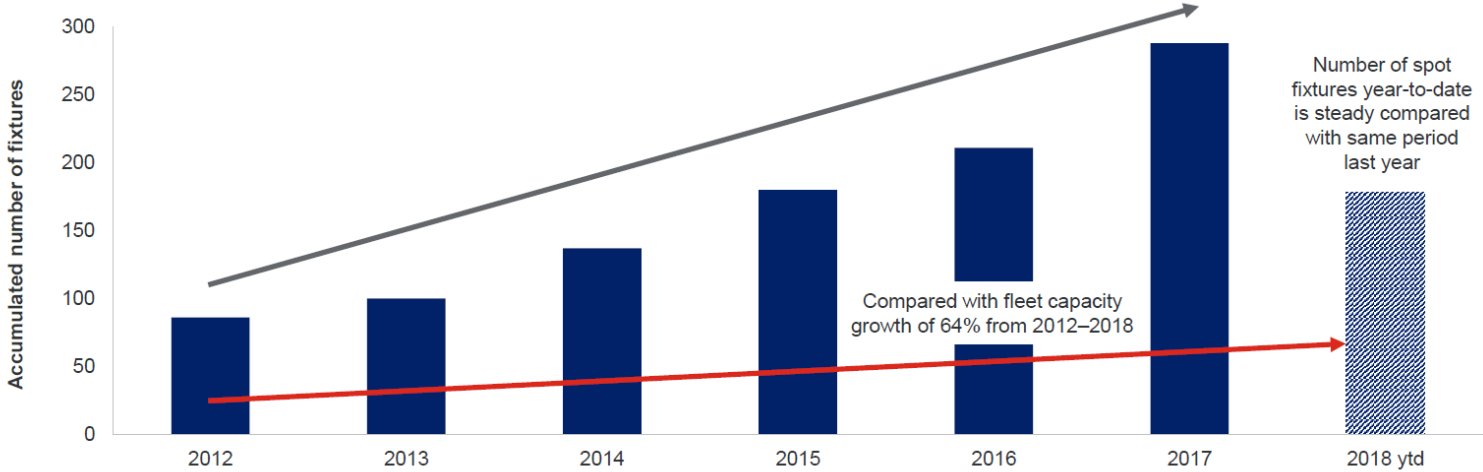


Source: Fearnleys

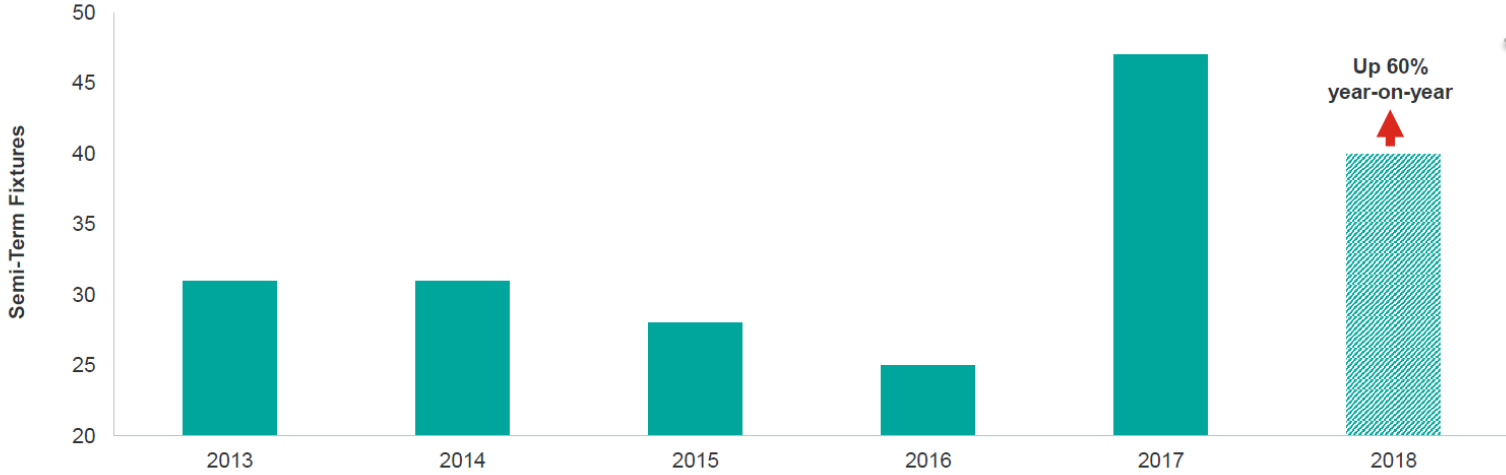
- Modern slow-speed two-stroke tonnage above \$ 100k mark
- Vessel availability significantly reduced as charterers absorbed tonnage to secure capacity for the winter season

LNGC market has become more liquid

Number of spot fixtures (less than 3 months)

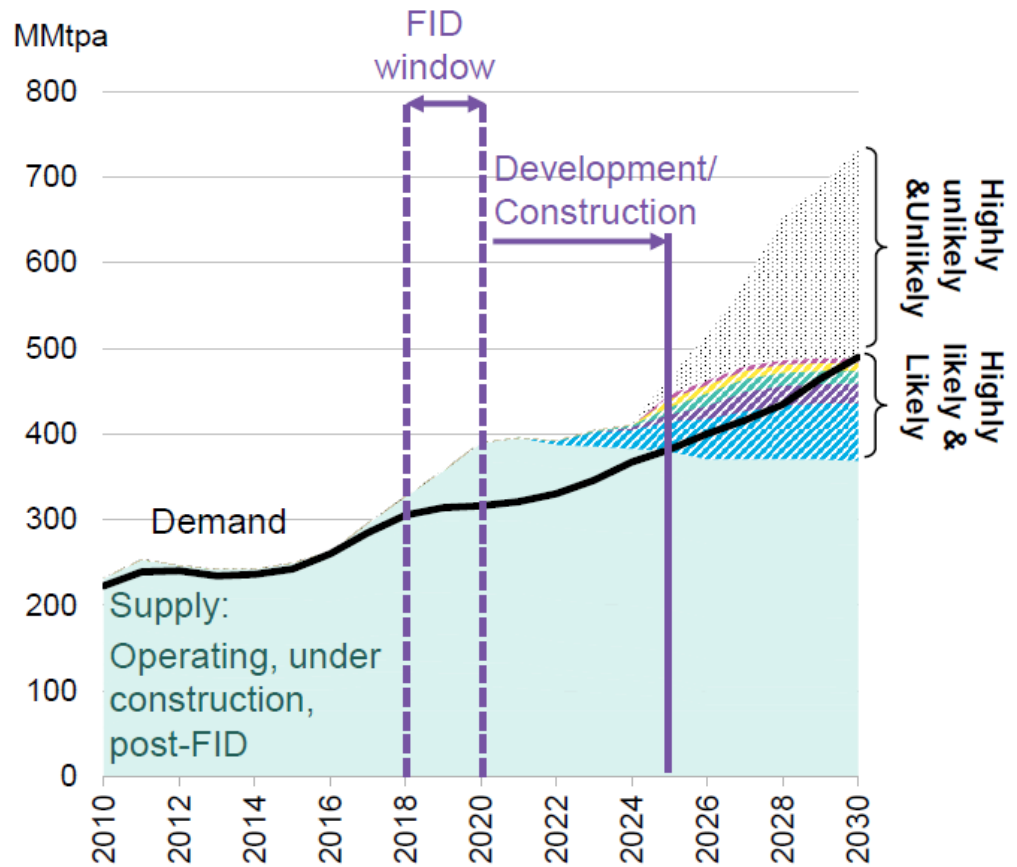
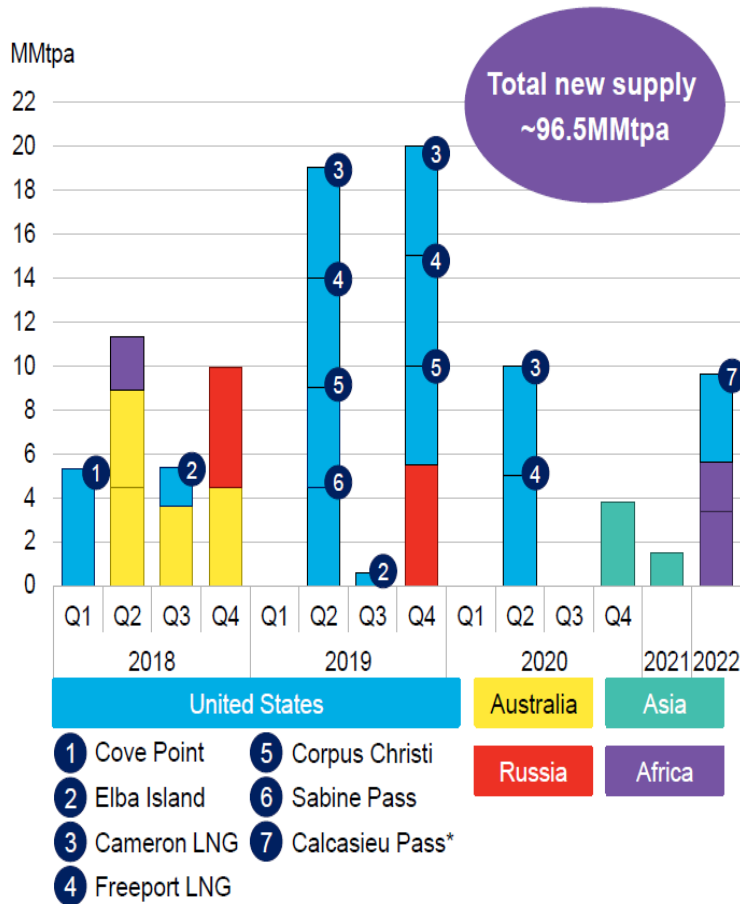


Number of semi-term fixtures (3mth to 5yrs)



Source: Clarksons LNG

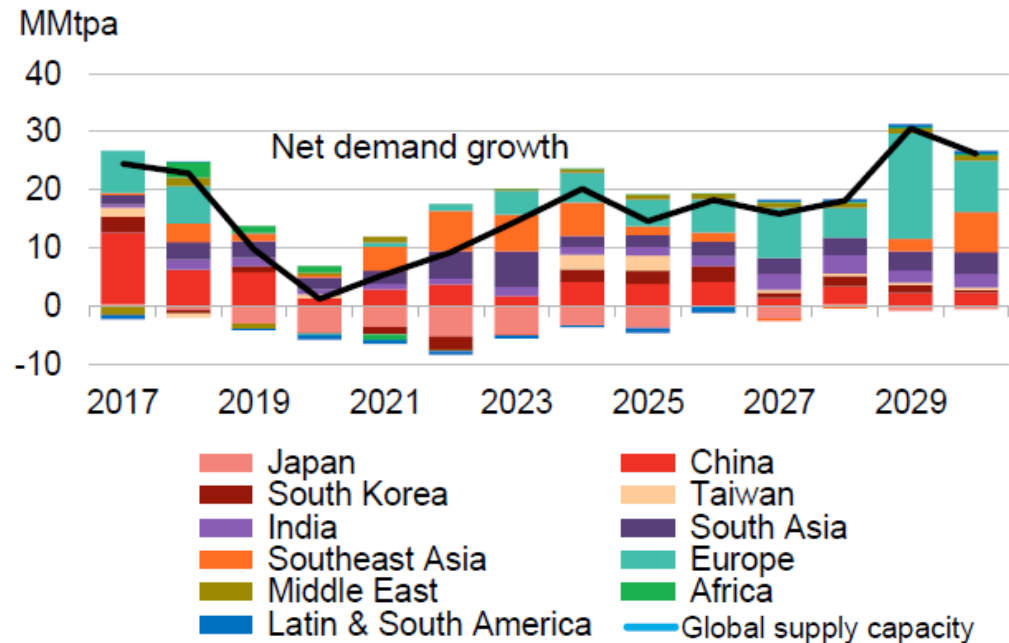
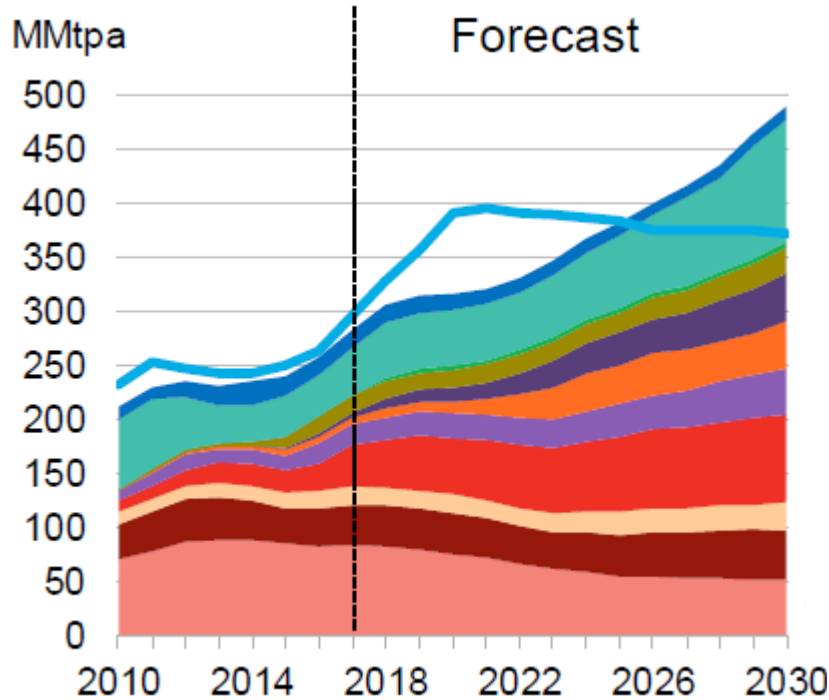
A wave of LNG is coming on-stream



- 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

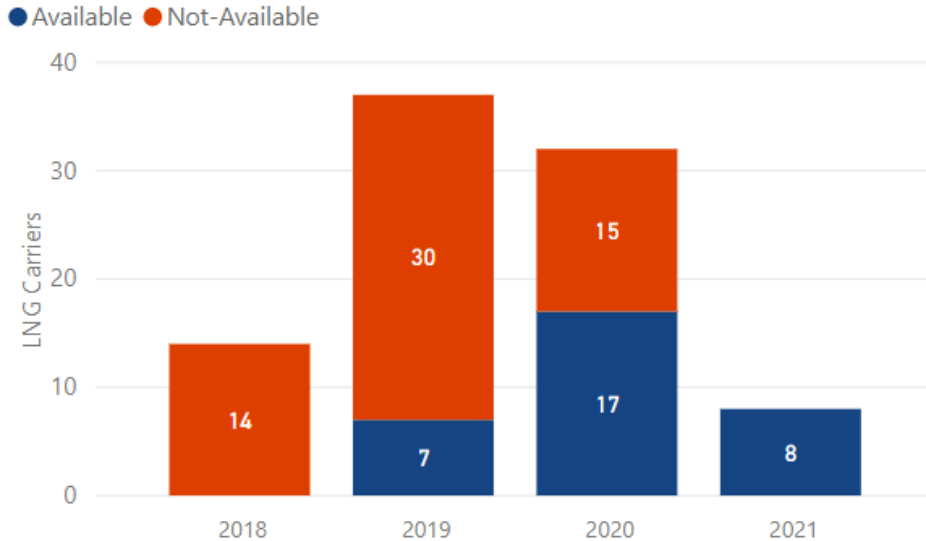


- 2017 Demand growth of 25MMtpa (9.6%) and is expected to grow about 24MMtpa (8.5%) in 2018
- China's increased demand was about half of the added volume in 2017
- High future demand growth is expected as natural gas increase it's market share in the energy matrix

Source: Bloomberg New Energy Finance

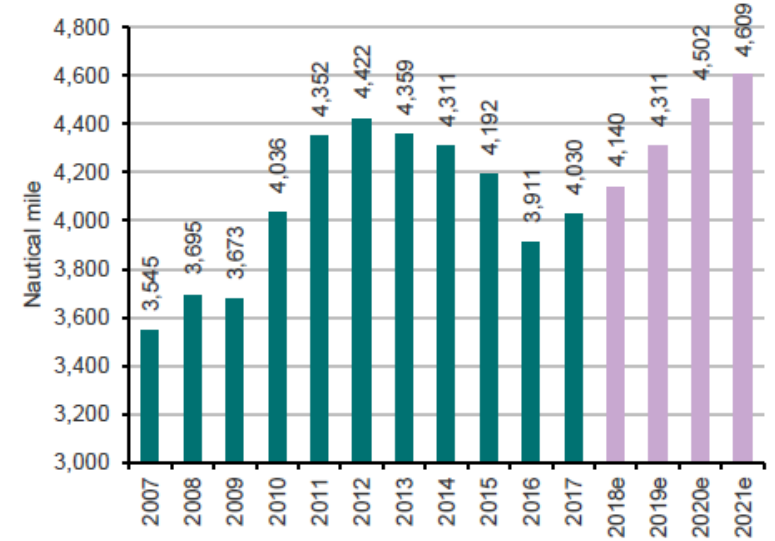
Few available modern vessels despite recent ordering

Order book for large LNG carriers



Source: Fearnleys

Average sailing distances (laden)

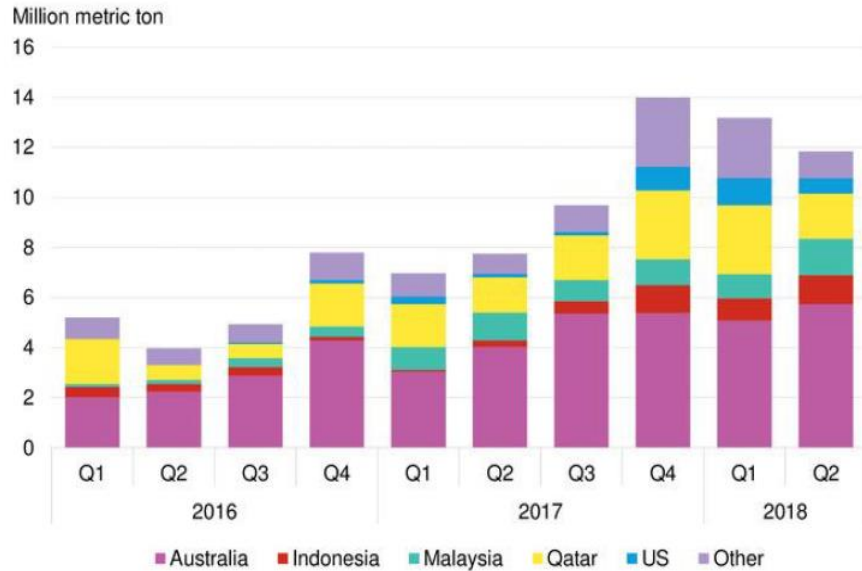


Source: DNB Markets (forecast), GIIGNL and Poten (historical)

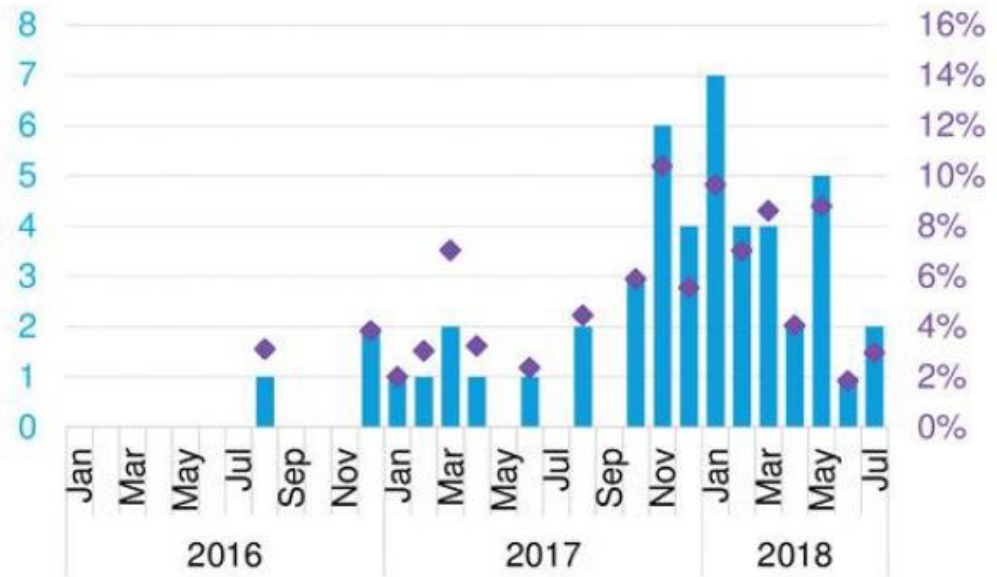
- About 90 orders for delivery in the period until 2021
- A deficit of about 40 vessels given start-up of about 96.5MMtpa in period 2018-2022
- Increased sailing distances supportive of LNGC demand

US-China trade conflict and impact for LNG trade

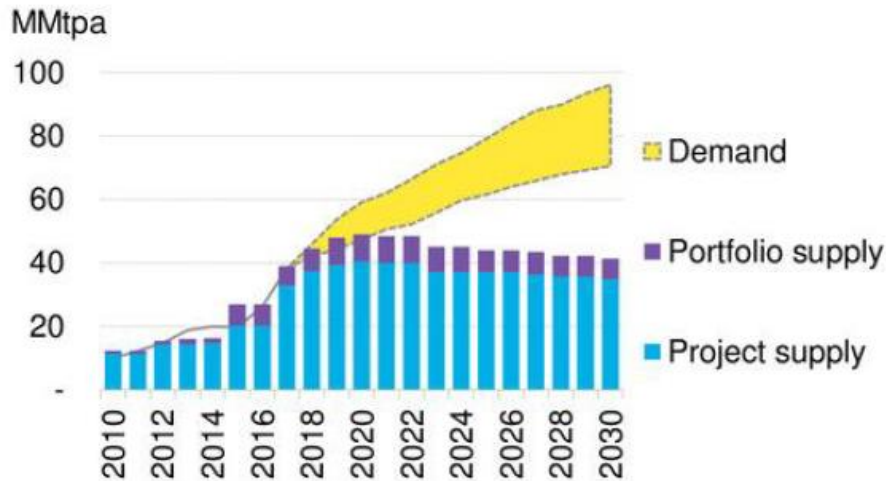
China's quarterly LNG import by country



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



Right Ships

Four LNGCs on the water and four LNGCs under construction, all fitted with 5th generation propulsion (two-stroke low-speed engines) providing substantial fuel savings and larger parcel size



Right Time

The market have re-balanced and is now in early phase of recovery with higher charter rates and utilization as well as increased interest for longer term contracts



Right Market

LNGC market have very strong long-term fundamentals due to increased demand for LNG, emissions focus and commoditization of LNG resulting in more trading



Right Owner

The principal shareholder has evidenced unrivaled performance in building strong shipping companies and is supportive of Flex LNG in relation to credit and S&P transactions



Q&A