



Nordea

Gas Market Update
September 30, 2021

FLEX LNG



FORWARD-LOOKING STATEMENTS



MATTERS DISCUSSED IN THIS PRESENTATION MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES SAFE HARBOR PROTECTIONS FOR FORWARD-LOOKING STATEMENTS IN ORDER TO ENCOURAGE COMPANIES TO PROVIDE PROSPECTIVE INFORMATION ABOUT THEIR BUSINESS. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING PLANS, OBJECTIVES, GOALS, STRATEGIES, FUTURE EVENTS OR PERFORMANCE, AND UNDERLYING ASSUMPTIONS AND OTHER STATEMENTS, WHICH ARE OTHER THAN STATEMENTS OF HISTORICAL FACTS.

FLEX LNG LTD. ("FLEX LNG" OR "THE COMPANY") DESIRES TO TAKE ADVANTAGE OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND IS INCLUDING THIS CAUTIONARY STATEMENT IN CONNECTION WITH THIS SAFE HARBOR LEGISLATION. THE WORDS "BELIEVE," "EXPECT," "FORECAST," "ANTICIPATE," "ESTIMATE," "INTEND," "PLAN," "POSSIBLE," "POTENTIAL," "PENDING," "TARGET," "PROJECT," "LIKELY," "MAY," "WILL," "WOULD," "SHOULD," "COULD" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS.

THE FORWARD-LOOKING STATEMENTS IN THIS PRESENTATION ARE BASED UPON VARIOUS ASSUMPTIONS, MANY OF WHICH ARE BASED, IN TURN, UPON FURTHER ASSUMPTIONS, INCLUDING WITHOUT LIMITATION, MANAGEMENT'S EXAMINATION OF HISTORICAL OPERATING TRENDS, DATA CONTAINED IN THE COMPANY'S RECORDS AND OTHER DATA AVAILABLE FROM THIRD PARTIES. ALTHOUGH FLEX LNG BELIEVES THAT THESE ASSUMPTIONS WERE REASONABLE WHEN MADE, BECAUSE THESE ASSUMPTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT AND ARE BEYOND THE COMPANY'S CONTROL, THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL ACHIEVE OR ACCOMPLISH THESE EXPECTATIONS, BELIEFS OR PROJECTIONS. FLEX LNG UNDERTAKES NO OBLIGATION, AND SPECIFICALLY DECLINES ANY OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

IN ADDITION TO THESE IMPORTANT FACTORS, OTHER IMPORTANT FACTORS THAT, IN THE COMPANY'S VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE: UNFORESEEN LIABILITIES, FUTURE CAPITAL EXPENDITURES, THE STRENGTH OF WORLD ECONOMIES AND CURRENCIES, GENERAL MARKET CONDITIONS, INCLUDING FLUCTUATIONS IN CHARTER RATES AND VESSEL VALUES, CHANGES IN DEMAND IN THE LNG TANKER MARKET, THE LENGTH AND SEVERITY OF THE COVID-19 OUTBREAK, THE IMPACT OF PUBLIC HEALTH THREATS AND OUTBREAKS OF OTHER HIGHLY COMMUNICABLE DISEASES, CHANGES IN THE COMPANY'S OPERATING EXPENSES, INCLUDING BUNKER PRICES, DRY-DOCKING AND INSURANCE COSTS, THE FUEL EFFICIENCY OF THE COMPANY'S VESSELS, THE MARKET FOR THE COMPANY'S VESSELS, AVAILABILITY OF FINANCING AND REFINANCING, ABILITY TO COMPLY WITH COVENANTS IN SUCH FINANCING ARRANGEMENTS, FAILURE OF COUNTERPARTIES TO FULLY PERFORM THEIR CONTRACTS WITH THE COMPANY, CHANGES IN GOVERNMENTAL RULES AND REGULATIONS OR ACTIONS TAKEN BY REGULATORY AUTHORITIES, INCLUDING THOSE THAT MAY LIMIT THE COMMERCIAL USEFUL LIVES OF LNG TANKERS, POTENTIAL LIABILITY FROM PENDING OR FUTURE LITIGATION, GENERAL DOMESTIC AND INTERNATIONAL POLITICAL CONDITIONS, POTENTIAL DISRUPTION OF SHIPPING ROUTES DUE TO ACCIDENTS OR POLITICAL EVENTS, VESSEL BREAKDOWNS AND INSTANCES OF OFF-HIRE, AND OTHER FACTORS, INCLUDING THOSE THAT MAY BE DESCRIBED FROM TIME TO TIME IN THE REPORTS AND OTHER DOCUMENTS THAT THE COMPANY FILES WITH OR FURNISHES TO THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC").

FOR A MORE COMPLETE DISCUSSION OF CERTAIN OF THESE AND OTHER RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COMPANY, PLEASE REFER TO THE REPORTS AND OTHER DOCUMENTS THAT FLEX LNG FILES WITH OR FURNISHES TO THE SEC.

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HIGH GAS AND POWER PRICES ARE CREATING HEADLINES



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Gas crisis leaves Europe searching for solutions

Bloomberg Businessweek

27 September 2021, 06:01 CEST

Europe's Energy Crisis Is Coming for the Rest of the World, Too

- Millions of people around the globe will feel the impact of soaring natural gas prices this winter.

FINANCIAL TIMES

US COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

Climate Capital

Power crunch threatens Chinese economic growth, warn banks

Climate change threatens to reverse progress in fight against malaria

Airbus gears up for hydrogen jet as fuel of future edges closer to reality

Opinion Utilities

Gas crisis shows why we must stop demonising fossil fuels

The engineering challenges around renewables means we need to be realistic while waiting for the green transition

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Gas puzzlers

Natural-gas shortages threaten governments' green goals

The energy transition must be better managed or environmentalism will become unpopular

Lysbakken vil ta grep mot dyr strøm og bensin

Midt under de rødgrønne sonderingene kommer SV-leder Audun Lysbakken med en klar beskjed: En ny regjering må ta grep for å dempe effekten av rentehopp, høy strømpris og dyr bensin for dem som har minst.



Kristian Skårdalsmo
Journalist

Mats Rønning
Journalist

Liebeth Skei
Journalist

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BUT GAS STILL LIVES IN THE SHADOW OF OIL



Lessons of the gas-price surge



INSIDE THIS WEEK: A 34-PAGE SPECIAL REPORT ON EU ENLARGEMENT
The Economist
America's surprising suburbs
High Noon for Ehud Olmert
Vodafone changes guard
Signs of reform in corporate Japan?
Gifts, boys and mathematics

Recoil





The Ten Reasons:

1. Long cold winter Asia/Europe 20/21
2. Hot summer driving cooling demand
3. Economic recovery, particularly in China
4. Drought affecting hydro generation
5. Coal to gas switching policies inc. EU ETS
6. LNG supply disruptions (-5% of output)
7. Less gas production in Europe (UK/Dutch)
8. Low flows from Russia (NS2/Low storage)
9. Extremely low wind output in Europe
10. High coal prices (and also CO2 prices)

“In one sense the crisis has fiendishly complex causes, with a mosaic of factors from geopolitics to precautionary hoarding in Asia sending prices higher”

The Economist, Sep 25, 2021



CARGO IS KING



Full price US cargo typically Henry Hub +15% + tolling fee of \$2-3 (however sunk costs) meaning full costs (FOB) at approx. \$7.75-\$8.75/MMbtu.

Then add shipping costs at approx. \$1/MMbtu to Europe and \$2/MMbtu to Asia (shipping cost could also be sunk depending on trader's shipping position)

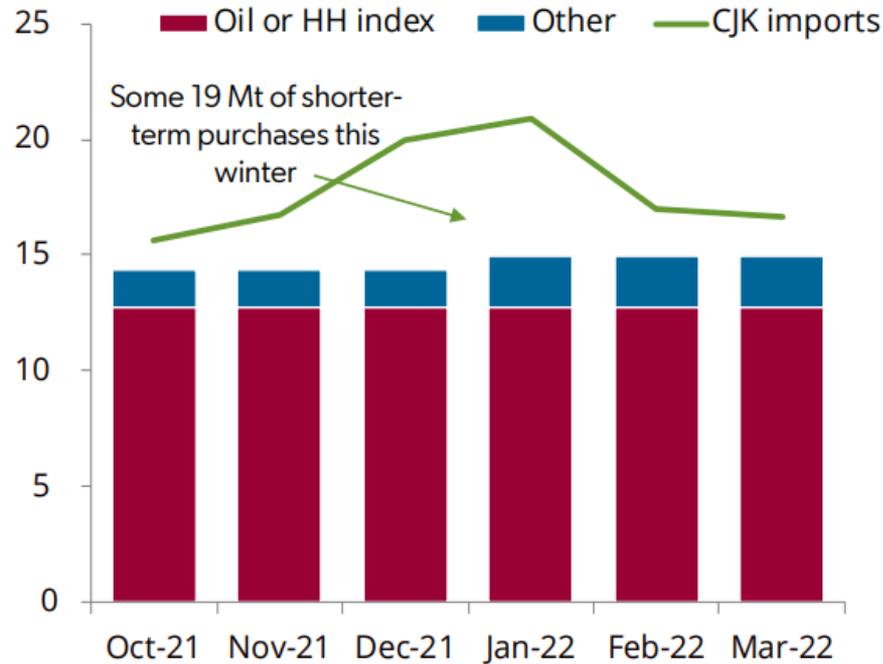
Oil priced linked cargoes at ~\$10 also providing massive arbitrage

1) Source: Platts, CME, SSY
2) Assume large cargo of 4trn BTU or approx. 172,000 cbm

CARGO IS KING ALSO FOR LONG-TERM BUYERS



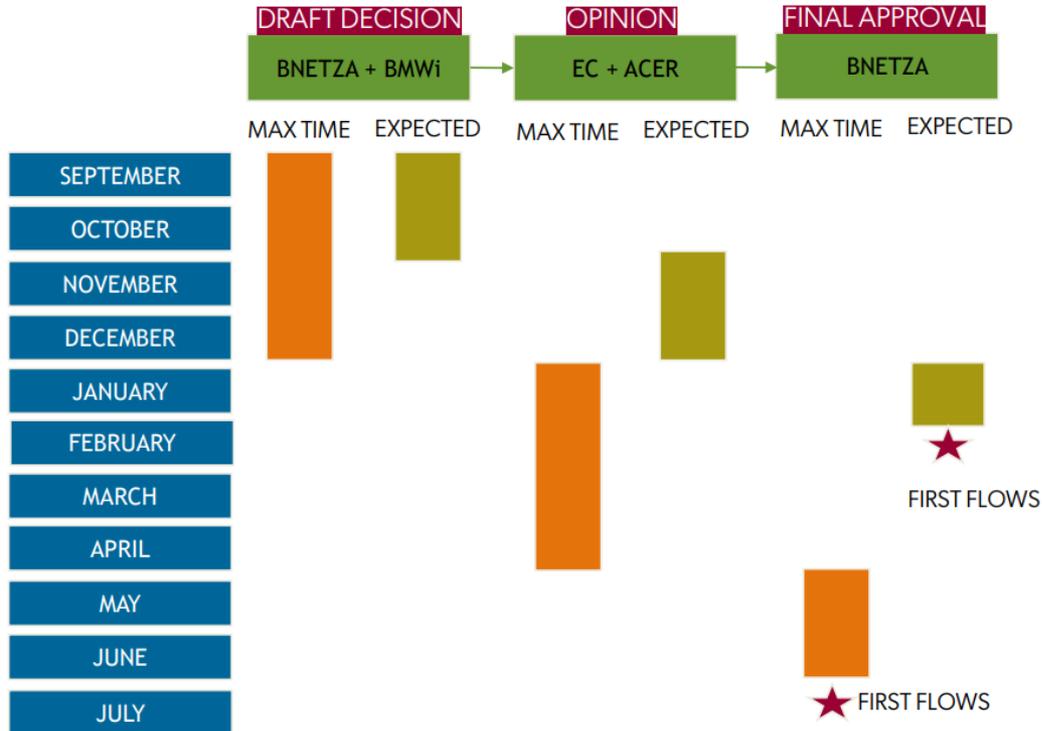
JKC region term contracts and LNG import forecasts (MT)



NORD STREAM 2: GUTEN DINGE BRAUCHEN ZEIT



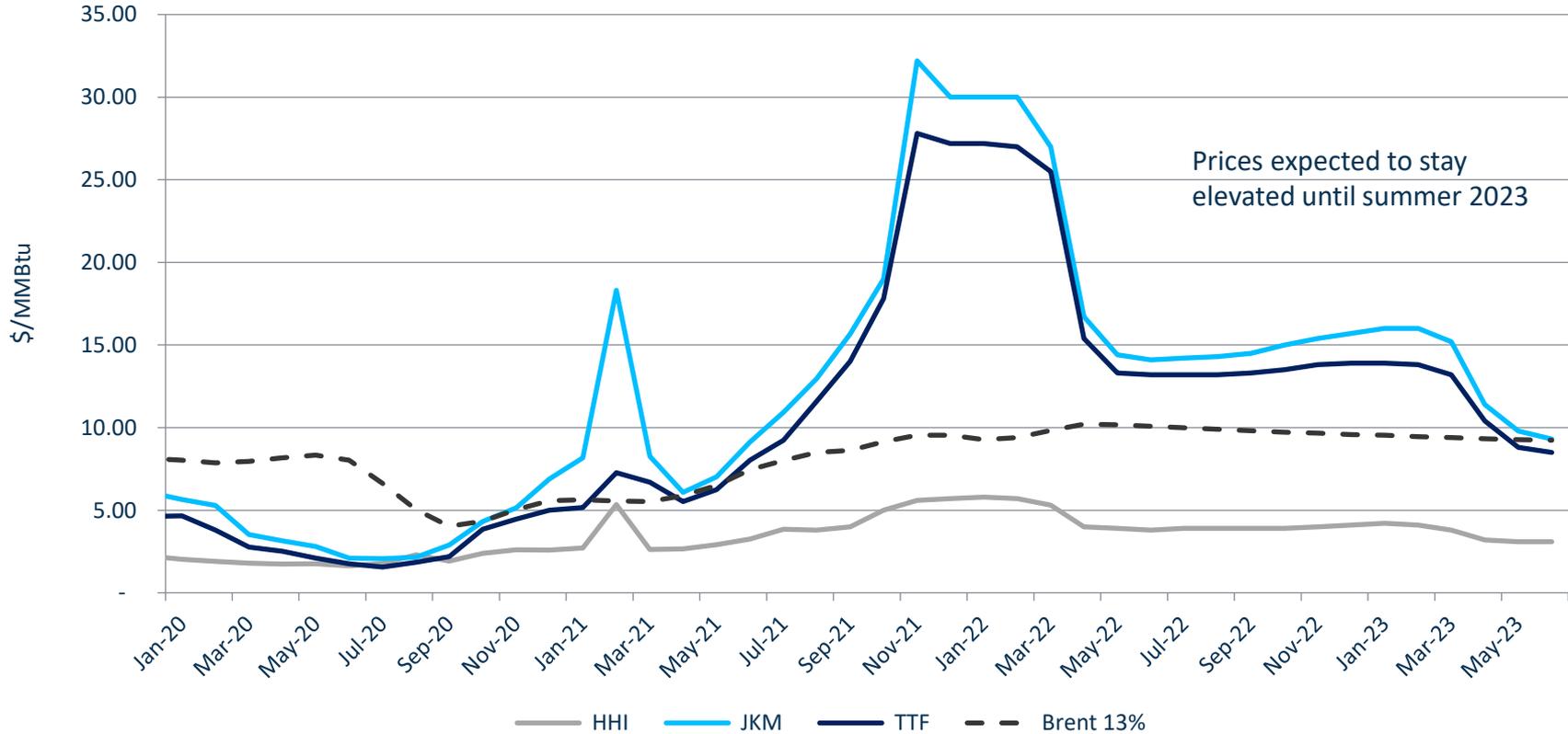
Timeline for NS2 certification



1) Source: Energy Aspect

BNETZA is Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen (Federal Network Agency), BMWi (Bundesministerium für Wirtschaft und Energie/Federal Ministry for Economic Affairs and Energy)
EC=European Commission and the EU Agency for Cooperation of Energy Regulators (ACER)

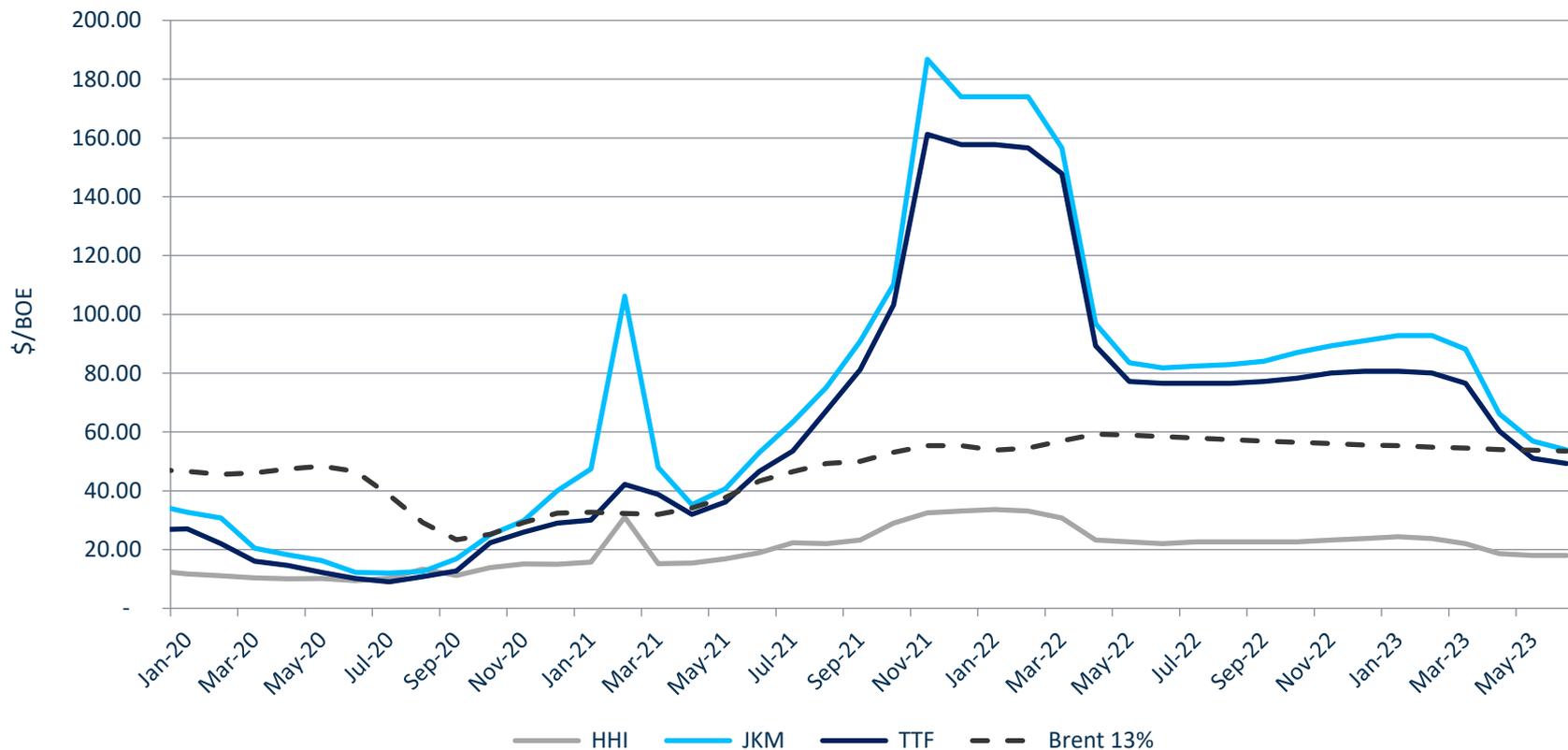
GLOBAL GAS CRUNCH



1) Source: CME and Platts. Historical TTF price defined as Platts DES NWE

2) Brent is 331 contract type

GLOBAL GAS CRUNCH IN \$ PER BARREL OF OIL

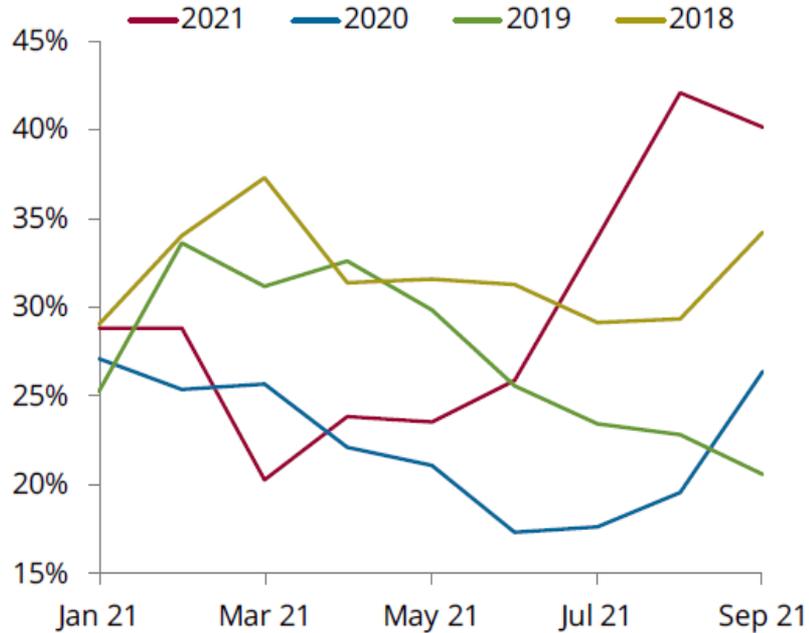


1) Source: CME and Platts. Historical TTF price defined as Platts DES NWE
 2) Brent is 331 contract type

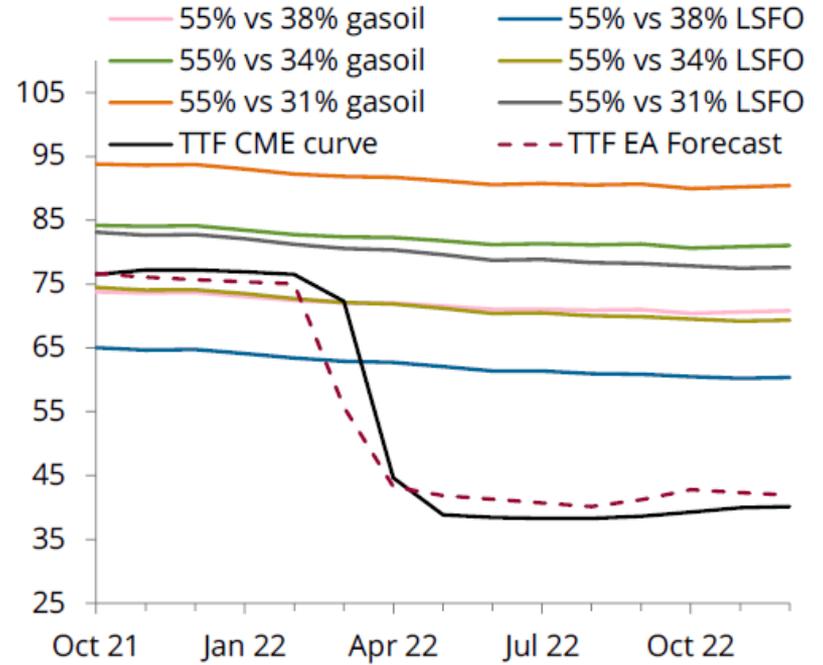
ELEVATED GAS PRICES RESULTING IN SUBSTITUTION



Share of coal in Western Europe's thermal stack %



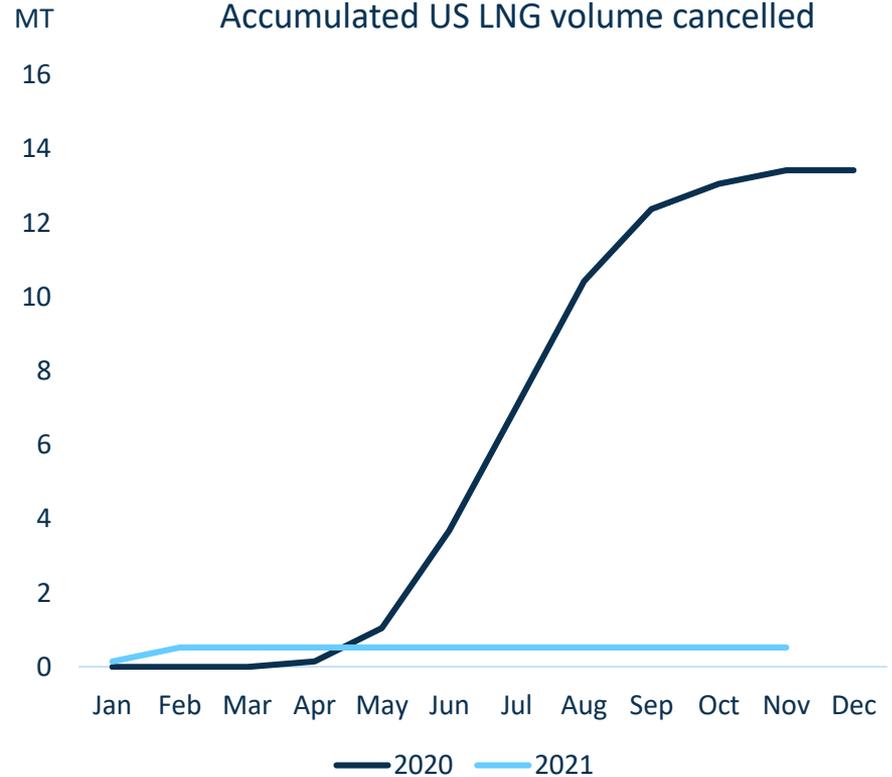
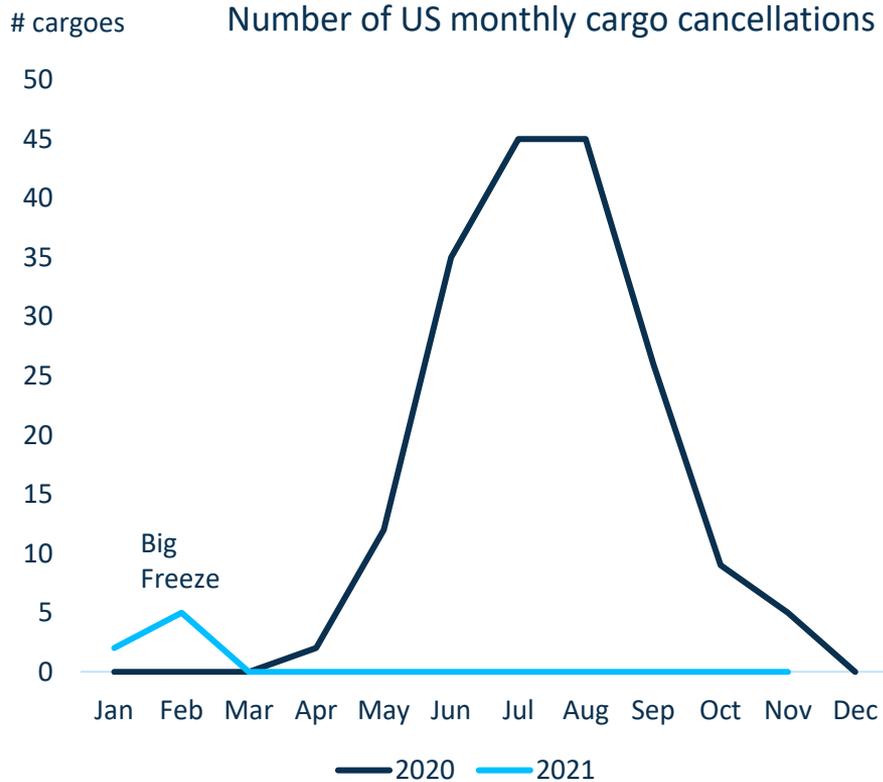
Gas-liquids switch triggers



DRIVING INCREASED DEMAND FOR CARBON PERMITS

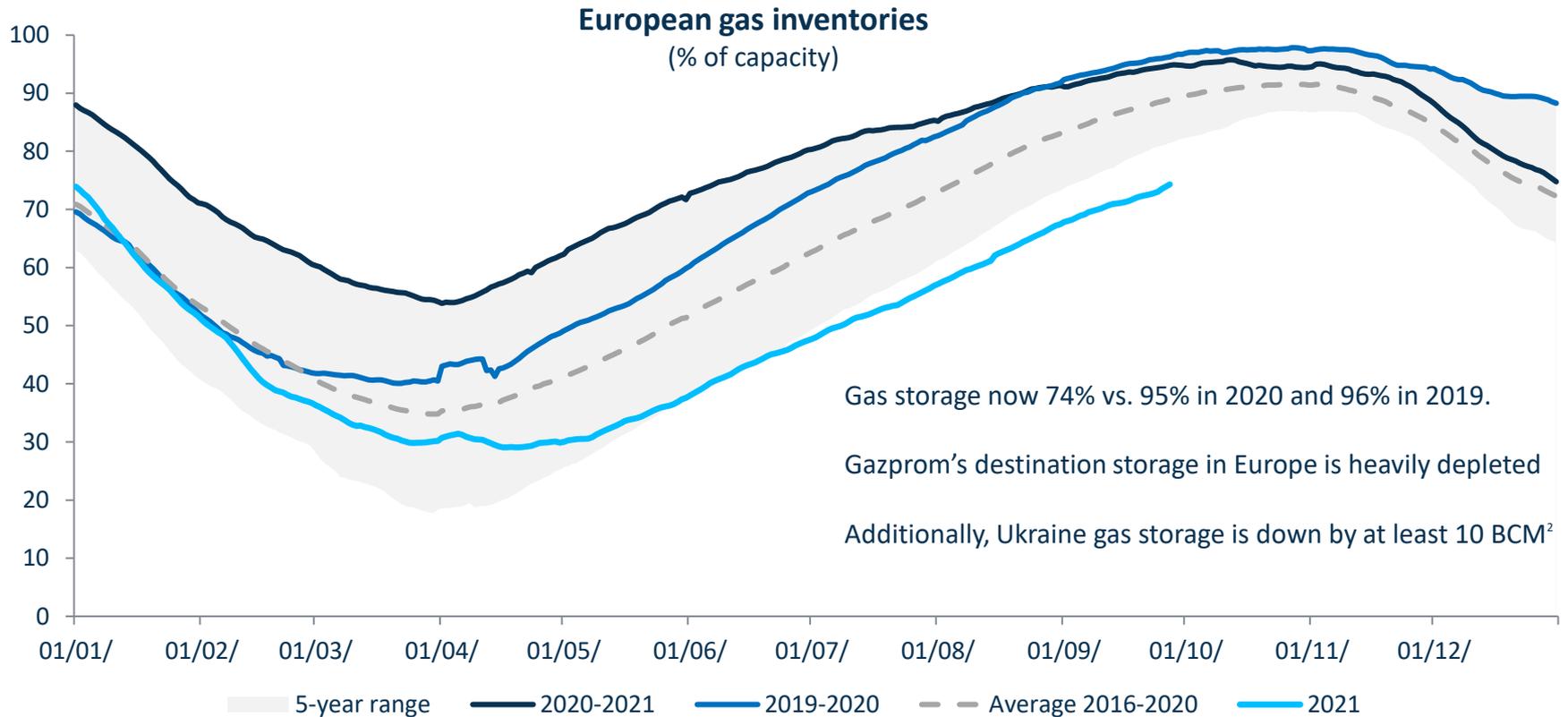


US CARGO CANCELLATIONS 2021 VS 2020



1) Source: Platts
2) Average US cargo estimated to 75,000 MT

RESTOCKING DEMAND STILL KEY DRIVER FOR TIGHT MARKET



1) Source: GIE AGSI+
2) Source: Energy Aspect

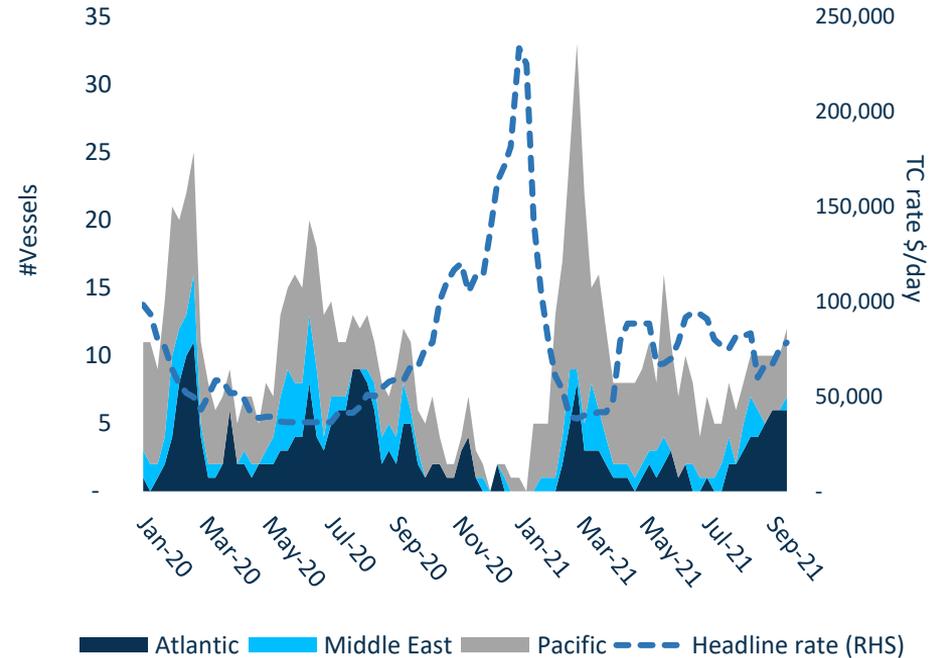
SPOT MARKET STILL HOLDING OFF, BUT FOR HOW LONG?



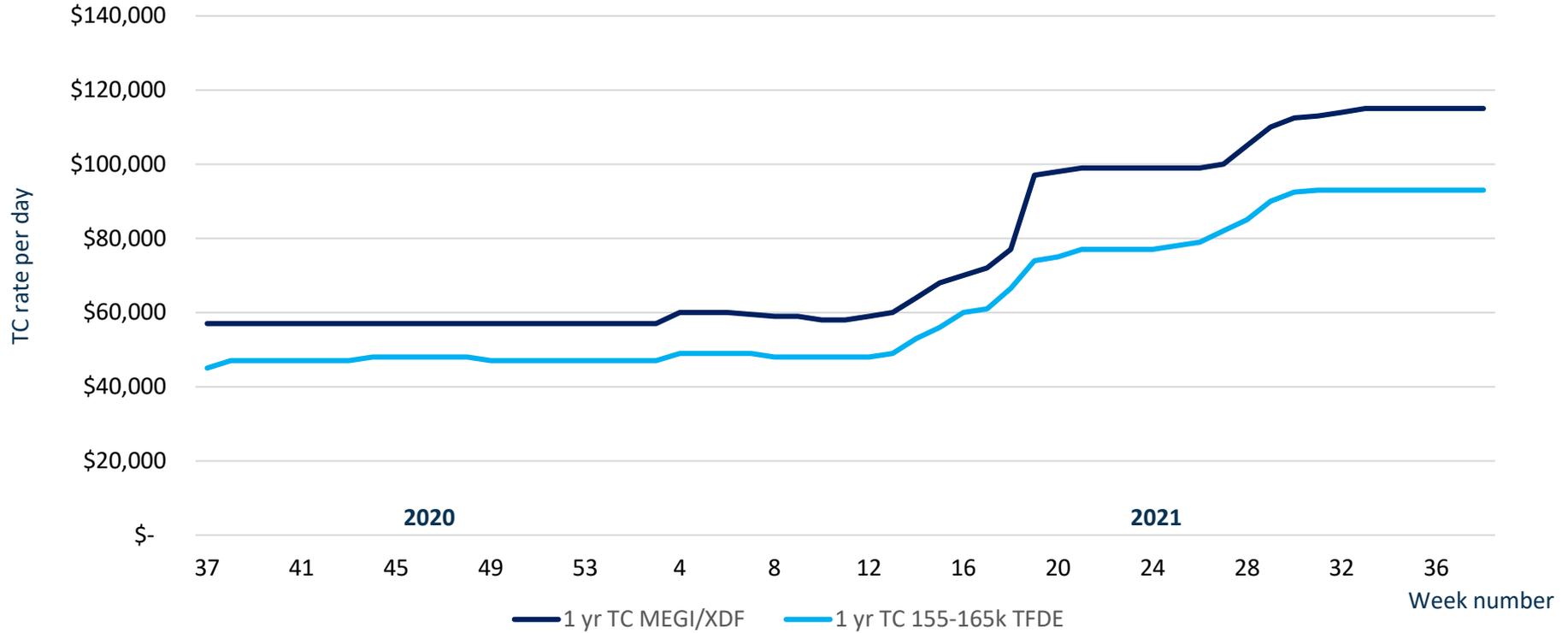
Headline spot rates (MEGI/XDF)



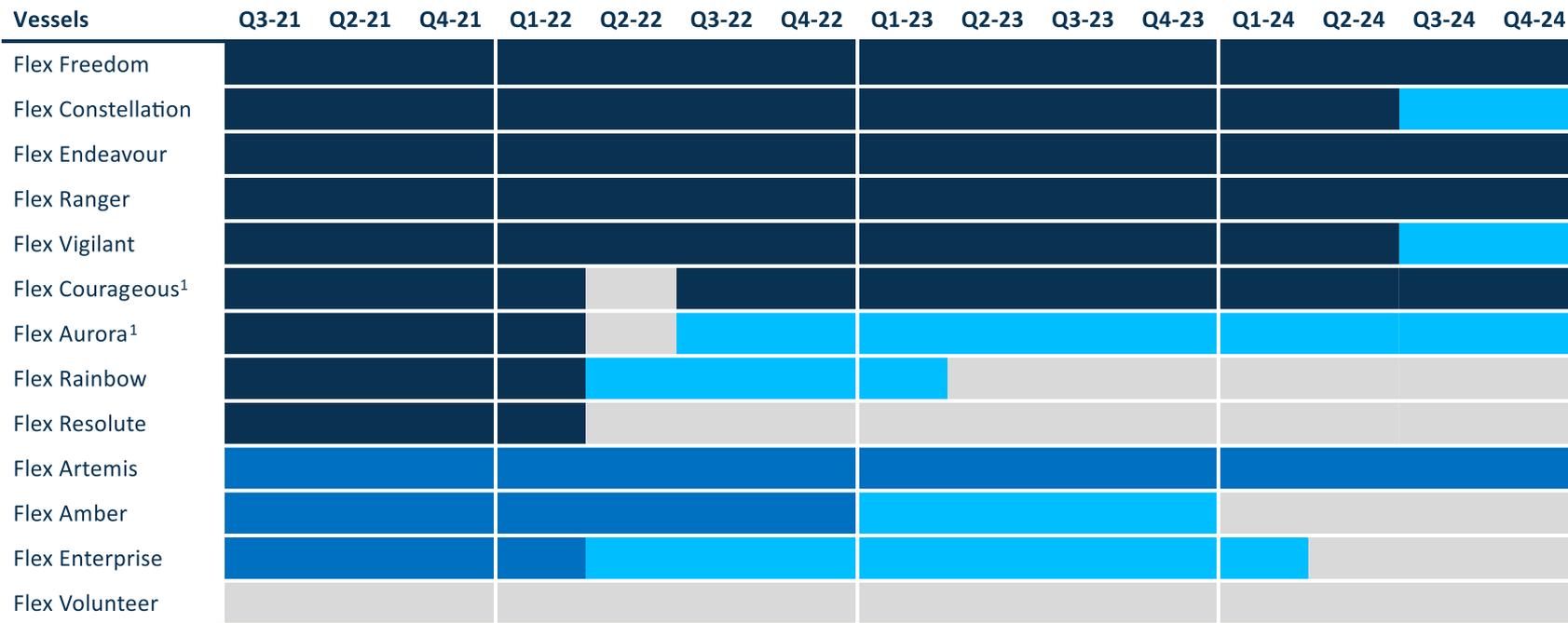
Prompt available vessels vs. Headline spot rates



TERM RATES PRICING IN HIGHER SPOT RATES

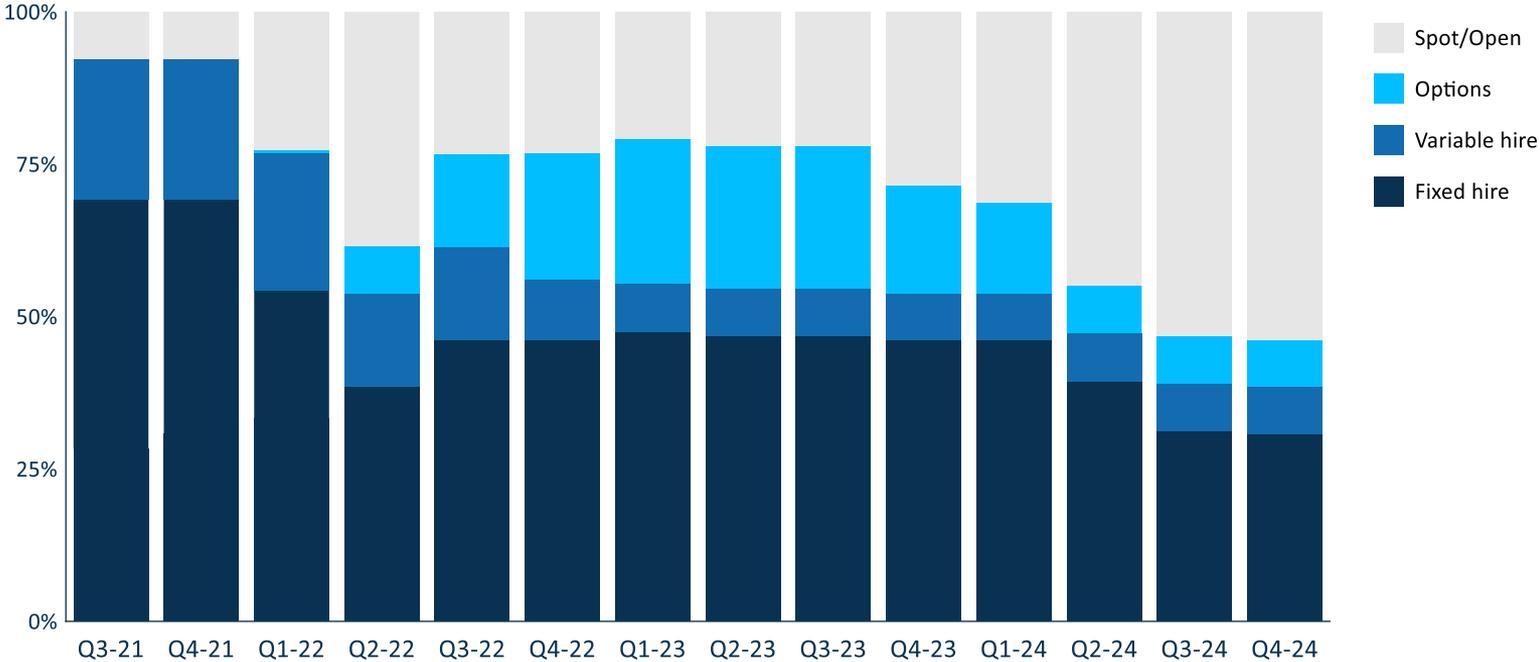


BALANCED PORTFOLIO WITH 70% FIXED AND 30% SPOT EXPOSED



1) Under the TCs with Cheniere, Flex LNG can nominate performing vessels for the TC and the actual vessels might differ from Flex Aurora and Flex Courageous depending on vessel availability and fleet portfolio management

HIGH EARNINGS VISIBILITY WHILE MAINTAINING MARKET EXPOSURE



BUY OR BUILD?



Alt 1: Buy



13 ships on the water with average age < 2 years

Attractive portfolio of contracts

Net debt: \$1.500bn adjusting for \$144m cash

All ships financed with long-term attractive debt

In-house technical & commercial mgt.

Listed OSE/NYSE i.e. liquidity in shares

Attractive yield ~9% with upside in H2

Proven track record of main shareholder & mgt.

Alt 2: Build “Fahrenheit LNG Ltd.”

Newbuild price: \$205m (delivery 24/25)

Supervision cost: \$2.5m

Broker and legal fees: \$2.5m

Yard price: \$210m per ship

Total capex 13 ships: \$2.730m

Gross debt per ship: \$127m

Financing fees per ship inc. com fee: \$~3m¹

Gross debt less finance fees: \$1.612m

Net Debt in total: \$1.500m

Equity requirement: \$1.230m for 13 ships

Price per share: \$23 per share² or NOK ~200

1) Assumes \$1.5m arrangement fee per ship and \$1.3m commitment fee and \$0.2m in legal costs for documentation of loan

2) Assumes 53.1m shares similar to Flex LNG adjusted for treasury shares

INVESTMENT HIGHLIGHTS



Right Ships

13 advanced LNG carriers with the right engines and size. All ships on the water with average age less than two years

Right Market

Market expected to grow ~3-4% p.a. next 20 years with a large share of the existing ships facing commercial difficulties (EEXI & CII)

Right Owner

JF Group evidenced both strong track record and shareholder friendly policy in e.g. Golden Ocean, SFL and Frontline

Right Time

Strong short and long-term outlook coupled with substantial backlog enables attractive dividends with upside potential

SUMMARY



Elevated prices are here to stay for some time

We expect cargo economics to push up spot prices

Balanced portfolio with 70% fixed and 30% spot exposed

\$50/\$60M in Adj./Net income in H1, H2 looks better

H1 dividend of \$0.8 per share with potential upside in H2

Flex LNG provides attractive valuation vs newbuilding prices



Thank you – any questions?





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