



FLEX LNG LTD

2018 First Quarter Results





29 May 2018 – Hamilton, Bermuda – FLEX LNG LTD. (Oslo Børs: FLNG) (together with its subsidiaries, the “Company” or “Flex LNG”), an emerging leader in the Liquefied Natural Gas (“LNG”) shipping, today reports unaudited results for the three months ended March 31, 2018.

Highlights for Q1 2018:

- On January 9 and 11, 2018 Flex LNG successfully took delivery of its first LNGC newbuildings the Flex Endeavour and the Flex Enterprise, respectively.
- Flex Endeavour commenced its time charter to Uniper Global Commodities (“Uniper”), a leading international energy company headquartered in Germany while Flex Enterprise was operating in the spot market.
- Reported Revenues of \$15.1m compared to \$1.3m in Q1 2017.
- Reported a positive EBITDA of \$2.4m compared to a negative EBITDA of \$2.4m in Q1 2017.
- Reported Net Loss of \$ 1.8m compared to a Net Loss in Q1 2017 of \$ 1.0m due to weak utilization of the Flex Enterprise during the quarter as well as increased financing costs related to \$ 315m term loan facility.
- The Company transitioned from IFRS to US GAAP on 1 January 2018. There were no changes to the balance sheet as a result of this change in accounting principles.

Other and Subsequent Events:

- On 18 April 2018 Flex LNG entered into a 12 months time-charter agreement with Enel Trade S.p.A. (“Enel”). The time charter period of 12 months will commence during the second half of 2019. Enel also has the option to extend the contract by an additional 12 months subsequent to the firm period.
- On 28 May 2018, Flex LNG received credit approval for a sale leaseback of the LNGC newbuilding Flex Rainbow with an Asian Lessor (“Lessor”) based on term sheet signed by the parties 20 March 2018. The sale price under the lease is approx. 75% of the relevant ship building price for Flex Rainbow and where the remaining 25% represent the advance hire for the ten year lease period.
- On May 28, Flex LNG entered into an agreement to acquire two 174,000 CBM X-DF LNGC newbuildings under construction at HHI for an attractive price of \$ 184m each vessel which includes building supervision. Payment terms are favorable with 20 per cent of amount due following signing of such agreement while remaining 80 per cent is due at delivery. Hence seller is funding part of pre-delivery capex which illustrate commitment and support of the largest shareholder.
- Jonathan Cook, Chief Executive Officer of Flex LNG Management Ltd, decided on 28 May 2018 to resign his position to pursue other interests. The Board has decided to appoint Board member Marius Hermansen as Interim CEO and will actively pursue recruitment process of a permanent Chief Executive Officer. The Company has also hired Marius Foss as Head of Commercial. Mr. Foss comes from a similar role at Golar LNG Ltd.
- Following the changes in management 28 May and the recruitment of Mr Foss, the Board has increased its focus on building a strong team around the Company’s modern LNGC fleet, and given the market outlook, transportation of LNG will be the Company’s core focus going forward



Øystein M Kalleklev, CFO comments:

“Although we are disappointed by the financial performance in first quarter, we are pleased to be able to announce an attractive sale-leaseback of Flex Rainbow. This lease enables the Company to grow organically based on its existing paid-in equity by the acquisition of two additional high specification LNGC newbuildings at very attractive terms and conditions. The newbuildings are both fitted with X-DF propulsion, giving us a broader offering to our customers once delivered from yard mid-2020. The market for LNG transportation is cyclically recovering from lows experienced beginning of first quarter and we remain very confident about the long-term structural prospects for this market and are thus positioning for this up-turn with this accretive fleet expansion.”

Business Update

The Company remains well positioned with its eight slow speed two stroke LNG carriers set for delivery in 2018-2020. The delivery of these vessels coincides with the significant increase in new LNG production capacity coming to the market as well as increased sailing distances due to US volumes and increased trading activity. The market sentiment is improving and spot rates paid for LNG carriers have increased since end of the quarter. We currently believe that the market will prefer the substantial improvement in unit freight cost of these larger and more fuel efficient vessels.

Two of the ME-GI LNGCs were delivered by Daewoo Shipbuilding and Marine Engineering Co. Ltd. ("DSME") in January 2018; two ME-GI LNGCs are currently under construction at Samsung Heavy Industries (SHI) and are scheduled to be delivered to the Company in the second and third quarters of 2018. Two ME-GI LNGCs are expected to be delivered to the Company by DSME in second and third quarters of 2019 while the remaining two X-DF LNGCs are scheduled for delivery from Hyundai Heavy Industries (HHI) in second and third quarter of 2020.

On April 18 2018 FLEX entered into a time-charter agreement with Enel Trade S.p.A. ("Enel"), a company of the Enel Group, a multinational power company and one of the world's leading integrated electricity and gas operators. The time charter period of 12 months will commence during the second half of 2019. Enel also has the option to extend the contract by an additional 12 months subsequent to the firm period. FLEX LNG intends to employ the LNG carrier FLEX Enterprise for this business, however the Company also has the option to nominate one of its sister vessels.

Results for the Three Months Ended March 31, 2018

The Company reports a net loss of \$1.8m and earnings per share of \$(0.00) for the first quarter of 2018 compared with a net loss of \$1.0m and a loss per share of \$(0.00) for the first quarter of 2017.

Voyage Revenue amounted to \$15.1m in the first quarter, and related to two vessels that were chartered in by the Company and our two own ME-GI vessels. Voyage revenue for the first quarter 2017 was nil as the Company did not have any vessels in its operating fleet.



Voyage Costs, including the costs to charter in vessels, voyage related costs, and broker commissions amounted to \$3.1 m in the first quarter 2018.

Administrative expenses amounted to \$0.8 m in the first quarter, compared to \$0.7m, in the same periods in the prior year.

In the quarter ended 31 March 2018, the Company's cash balance increased by \$29.0m compared to a decrease of \$13.4m in Q1 2017. The Q1 2018 increase was mainly driven by loan proceeds of \$210.0m.

Financing

In 2017 the Company signed a \$315m secured term loan facility (the "TLF") to finance the first three of its newbuildings - DSME HN 2447 (Flex Endeavour), DSME HN 2448 (Flex Enterprise) and SHI HN 2107 (Flex Ranger) with a group of six banks. Two loan tranches of each \$105m were utilized in connection with deliveries of Flex Endeavour and Flex Enterprise in January 2018.

The remaining \$105m loan tranche is expected to be utilized in connection with the delivery of Flex Ranger scheduled end of June 2018. The tenor of the TLF is five years from the date of the last newbuilding financed under the TLF, resulting in an average term of approximately 5.4 years.

On 28 May 2018, Flex LNG received credit approval for a sale leaseback of the LNGC newbuilding Flex Rainbow with an Asian Lessor ("Lessor") based on term sheet signed by the parties 20 March 2018. The sale price under the lease is approx. 75% of the relevant ship building price for Flex Rainbow and where the remaining 25% represent the advance hire for the ten year lease period.

The Company has as of 31 March 2018 also a \$ 270m revolving credit facility in place with Sterna Finance Limited (the "Sterna RCF") which is utilized by \$ 60m at quarter-end. The Credit Facility can be drawn from and repaid at the Company's discretion, providing the Company growth capital while minimizing interest expense during the construction phase of its LNGC newbuildings. This is a strong indication of the support and commitment of the Company's largest shareholder.

For more info related to financing, we refer to note 6

Corporate Update

In 2017, the Company completed the transfer of its shares from the Oslo Axess exchange to the main Oslo Børs. The transfer has increased the Company's visibility among the investment community and facilitated better trading liquidity in the Company's shares evident from average traded volumes on the Oslo Stock Exchange.

367,972,382 ordinary shares were outstanding as of 31 March 2018, and the weighted average number of shares outstanding for the period was 367,972,382.



LNG Market Outlook and Strategy

The LNGC market improved markedly at the end of 2017 where the primary driver was the nearly 50 per cent increased imports by Peoples Republic of China (China). The strong growth in China has continued into 2018 with 1q18 imports of 12.5 million tons, a 59% increase y/y. The growth in imports is driven by the Government pushing for a switch from coal to natural gas in an attempt to reduce domestic coal consumption in order to improve local air quality in the major cities.

Cove Point will be the second U.S. liquefaction project coming on-stream. Commissioning cargoes were exported out from its terminal in March 2018 and several vessels earmarked for the project which have been operating in the spot market while waiting for the project to start up will now be utilized for this project.

There have also been some delays in turning on liquefaction trains. Cameron LNG is delayed until Q1 2019 and Freeport LNG is experiencing about 9 month's delays and is now expected to start producing from first train in September 2019. An estimate of 28 vessels was ordered specifically for these projects and some of these LNGC is expected to come to market ahead of their intended project. Charterers are adopting various strategies to address the anticipated idle time. Many of the Japanese-built vessels have agreed with the shipyards to delay delivery. The LNGC fleet now exceeds 450 vessels and approximately 50 vessels expected to be delivered in total for 2018. Demand growth has been driven primarily out of Asia with China committed to diversifying its energy portfolio to focus on clean energy sources and improve air quality. Europe also is expected to increase its LNG imports during the year.

FLEX LNG expects the coming growth of LNG production and the expected growth in demand for natural gas in combination with the recent limited ordering activity of LNG Carriers to gradually tighten the shipping market. FLEX LNG sees its self as well positioned with two LNG ME-GI ships on the water, another two ME-GI newbuildings set for delivery in Q2 2018, two ME-GI in 2019 and a further two X-DF LNGC newbuildings for delivery in 2020. We believe that the strengthening market sentiment will continue and that our state-of-the-art LNGCs will command a premium in the market.

First Quarter Result Presentation

FLEX LNG LTD.'s preliminary first quarter 2018 results will be released on Tuesday, May 29, 2018 before opening of the Oslo Stock Exchange.

A webcast and conference call will be held at CET 08:00 a.m.

In order to attend the webcast and/or conference call you may do one of the following:

Attend by Webcast:

Follow the link: <https://edge.media-server.com/m6/p/rwy745pc>

Conference Call Participants:



FLEX LNG

Dial-in telephone numbers: Norway: +47 2100 2610
United Kingdom: +44 (0)330 336 9105
United States: +1 929-477-0324

Confirmation Code: 8146000

Participants will be asked for their full name & Conference ID. Q&A session will be held after the Webcast/teleconference.

Information on how to submit questions will be given at the beginning of the session. Replay details will be available at www.flexlng.com

Questions should be directed to:

Øystein M. Kalleklev, Chief Financial Officer
Tel. +47 23 11 40 58
Email: ir@flexlng.com



Forward-Looking Statements

Matters discussed in this press release may constitute forward-looking statements. 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. Words, such as, but not limited to "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Frontline 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 control of Frontline, Frontline cannot assure you that they will achieve or accomplish these expectations, beliefs or projections. The information set forth herein speaks only as of the date hereof, and Frontline disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication.

Board of Directors of FLEX LNG Ltd.

28 May 2018

David McManus

Marius Hermansen

Ola Lorentzon

Georgina E. Sousa

Nikolai Grigoriev



Unaudited Interim Financial Report Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

31 March 2018	Unaudited		
	Q1 18	Q1 17	2017
Vessel operating revenues	15 053	1 698	27 329
Vessel operating costs	(11 909)	(3 300)	36 532
Administrative expenses	(796)	(773)	3 409
Operating income (loss) before depreciation	2 348	(2 375)	(12 612)
Depreciation	(2 311)	(1)	(2)
Operating income (loss)	37	(2 376)	(12 614)
Finance income	174	1	123
Finance cost	(1 975)	234	234
Foreign currency exchange (loss) gain	(12)	-	-
Hedge gain	-	1 627	2 335
Income (loss) before tax	(1 776)	(982)	(10 391)
Income tax expense	(2)	(4)	(17)
Net income (loss)	(1 778)	(986)	(10 408)
Attributable to:			
Equity holders of the parent	(1 778)	(986)	(10 408)
Earnings per share:			
Basic and diluted	(0.00)	(0.00)	(0.03)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

31 March 2018	Unaudited		
	Q1 18	Q1 17	2017
Income (loss) for the period	(1 778)	(986)	(10 408)
Total other comprehensive profit	-	-	-
Total comprehensive income (loss) for the period	(1 778)	(986)	(10 408)
Attributable to:			
Equity holders of the parent	(1 778)	(986)	(10 408)



Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

31 March 2018	Unaudited			
	Note	Q1 18	Q1 17	2017
Vessels and equipment		392 205	1	3
New building assets and capitalized costs	3	280 778	589 385	594 937
Vessel purchase prepayment	3	72 000	-	72 000
Total non-current assets		744 983	589 386	666 940
Inventory		2 360	3 733	1 041
Other current assets		7 916	3 419	6 568
Cash and cash equivalents	4	38 983	14 807	9 961
Total current assets		49 259	21 959	17 570
TOTAL ASSETS		794 242	611 345	684 510
Share capital		3 680	2 784	3 680
Share premium		885 388	764 062	885 323
Other equity		(370 713)	(359 472)	(368 902)
Equity attributable to equity holders of the parent		518 355	407 374	520 101
Total equity		518 355	407 374	520 101
Other financial liabilities	6	270 000	200 000	160 000
Total non-current liabilities		270 000	200 000	160 000
Current liabilities		5 887	3 971	4 409
Total current liabilities		5 887	3 971	4 409
Total liabilities		275 887	203 971	164 409
TOTAL EQUITY AND LIABILITIES		794 242	611 345	684 510



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Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

31 March 2018	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.18	3 680	885 323	(379 530)	10 628	520 101
Loss for the period	-	-	(1 778)	-	(1 778)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	(1 778)	-	(1 778)
Shares issued	-	65	-	(33)	32
Share issuance costs	-	-	-	-	-
Share-based payment (shares)	-	-	-	-	-
At 31.03.18	3 860	885 388	(381 308)	10 595	518 535

31 March 2017	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.17	1 279	563 174	(369 122)	10 611	205 942
Loss for the period	-	-	(986)	-	(986)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	(986)	-	(986)
Shares issued	1 505	200 888	-	25	202 418
At 31.03.17	2 784	764 062	(370 108)	10 636	407 374



FLEX LNG

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

Unaudited

31 March 2018

	2018	2017
(Loss) before tax	(1 776)	(986)
Depreciation and amortization of deferred charges	2 311	(1 389)
Foreign exchange movements	12	-
Working capital adjustments	(2 897)	(2 511)
Net cash flow from operating activities	(1 351)	(4 989)
Payments on newbuilding contracts and capitalized expenditure	(79 652)	(1061)
Purchase of plant and equipment	(7)	-
Net cash flow used in investing activities	(79 659)	(1 061)
Net proceeds from issue of share capital	-	96 418
Repayment of debt	(100 000)	(77 000)
Loan proceeds	210 000	-
Other	32	-
Net cash flow from financing activities	110 032	19 418
Net cash flow	29 022	13 368
Cash balance at beginning of period	9 961	1 439
Cash balance at end of period	38 983	14 807



Notes to the Interim Consolidated Accounts

Note 1: General information

FLEX LNG Ltd (together with its subsidiaries, the "Company" or "FLEX LNG") is a limited liability company, originally incorporated in the British Virgin Islands and registered in Bermuda as of June 2017. The Company's activities are focused on LNG transportation.. The interim condensed consolidated financial statements of the Company for the quarter ended 31 March 2018 were authorized by the Board of Directors for release on 29 May 2018.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter have been prepared in accordance with accounting principles generally accepted in the United States. The condensed consolidated financial statements do not include all of the disclosures required in the annual and interim consolidated financial statements. These financial statements should be read in conjunction with the Company's year end financial statements for the year ended 31 December 2017.

Use of estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount of uncollectible accounts and accounts receivable, the amount to be paid for certain liabilities, including contingent liabilities, the amount of costs to be capitalized in connection with the construction of our newbuildings and the lives of our vessels. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts for us and our wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated on consolidation.

Operating revenues and expenses

The Company recognizes revenues from time charters daily over the term of the charter as the applicable vessel operates under the charter. The Company does not recognize revenues during days that the vessel is off hire. All revenues from voyage charters are recognized on a proportionate performance method. The Company uses a load-to-discharge basis in determining proportionate performance for all spot voyages. Certain voyage expenses incurred between signing the charter party and arrival at loading port are deferred and amortized during the charter period.

Repositioning fees in respect of time charters are recognized at the end of the charter when the fee becomes fixed and can be reliably measured. However when a fixed amount not dependent on redelivery location is stipulated in the charter, the repositioning fee is recognized on a straight line basis over the term of the time charter.

Whether the entity is entitled to a ballast bonus agreed at the start of the charter, this is recognized on a straight line basis over the term of the charter.

Cash and cash equivalents

The Company classifies all highly liquid investments with an original maturity date of three months or less as cash and cash equivalents.

Trade receivables



FLEX LNG

The amount shown as trade receivables, net, at each balance sheet date, includes receivables from charterers for hire net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts primarily based on the aging of such balances and any amounts in disputes. Provision for doubtful accounts as of March 31, 2018 was nil.

Inventories

Inventories comprise principally of fuel and lubricating oils and are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Vessels and equipment

All pre-delivery costs incurred during the construction of newbuildings, including interest, supervision and technical costs, are capitalized.

Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation is calculated using an estimated useful life of 35 years, or a shorter period if regulations prevent the Company from operating the vessels for 35 years.

The Company follows the direct expense method of accounting for dry-docking and special survey costs where such are expensed in the period incurred. The vessels undergo dry-dock or special survey approximately every five years during the first fifteen years of their life and, subsequently, every two and a half years to the end of their useful life. Costs relating to routine repairs and maintenance are also expensed as incurred.

Vessels and equipment that are "held for use" are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. If the asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the asset is reduced to its estimated fair value. Estimated fair value is determined based on discounted cash flows or appraised values. In cases where an active second hand sale and purchase market does not exist, the Company uses a discounted cash flow approach to estimate the fair value of an impaired vessel. In cases where an active second hand sale and purchase market exists, an appraised value is generally used to estimate the amount the Company would expect to receive if it were to sell the vessel.

Newbuildings

The carrying value of the vessels under construction, or Newbuildings, represents the accumulated costs to the balance sheet date which the Company has had to pay by way of purchase installments and other capital expenditures together with capitalized interest and associated finance costs. No charge for depreciation is made until the vessel is available for use.

Vessel purchase prepayments relate to amounts advanced on ship building contracts where title of the vessel does not transfer to the Company until the date of delivery.

Debt issuance costs

Loan costs, including debt arrangement fees, are capitalized and amortized on a straight-line basis over the term of the relevant loan. The straight line basis of amortization approximates the effective interest method. Amortization of loan costs is included in interest expense. If a loan is repaid early, any unamortized portion of the related deferred charges is charged against income in the period in which the loan is repaid. The Company has recorded debt issuance costs (i.e. deferred charges) as a direct deduction from the carrying amount of the related debt.

Earnings per share

Basic earnings per share are computed based on the income available to ordinary shareholders and the weighted average number of shares outstanding. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments.

Note 3: New building assets and capitalized costs

On 9 January 2018 the Company successfully took delivery of its first LNG carrier newbuilding the Flex Endeavour.

On 11 January 2018 the Company successfully took delivery of its second LNG carrier newbuilding the Flex Enterprise.

As of 31 March 2018, the Company currently has four newbuildings under construction. The Flex Ranger and the Flex Rainbow are under construction with SHI and are due to be delivered June/July 2018. The Flex Constellation and the Flex Courageous are under construction at DSME and are due for delivery in June 2019 and August 2019 respectively.

In relation to the two LNGCs that will be delivered in 2019, the Company has made advance payments of \$72.0m in the second quarter of 2017, with the balance due on delivery. Under the purchase agreement, the seller continues to hold the shipbuilding contract with the yard and is responsible for the supervision of the vessels' construction, with the title transferring to FLEX at the date of delivery.

The Company has reviewed recoverable amounts of the newbuild contracts and has concluded that no impairment provision was required for the vessels under construction.

Note 4: Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise the following;

(Unaudited figures in USD'000)

	Unaudited	
	2018	2017
Cash at bank and in hand	38 983	9 961

As of 31 March 2018, the Company has \$210m of undrawn credit under the Sterna revolving credit facility.

Note 5: Capital & other commitments

The remaining capital commitments as 31 March 2018 are detailed in the table below.

USD million (unaudited)

	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q2 2019</u>	<u>Q3 2019</u>
SHI HN 2107, LNGC	42.38			
SHI HN 2108, LNGC	64.54	42.38		
DSME HN 2470, LNGC			144.00	
DSME HN 2471, LNGC				144.00
Total	106.92	42.38	144.00	144.00



Remaining Capex, excluding, supervision, future change requests, sundry buyers' supplies, fit out, studies and lub oils.

The delivery date for HN 2107 has been delayed by about 135 days. HN 2107 was expected to be delivered May 2018, but have now been pushed back to end of June 2018 while HN 2108 is scheduled for delivery July 2018.

Note 6: Other financial liabilities

\$ 315m Secured Term Loan Facility

On 20 December 2017 the Company signed a \$ 315m secured term loan facility (the "TLF") to finance the first three of its newbuildings - DSME HN 2447 (FLEX Endeavour), DSNE HN 2448 (FLEX Enterprise) and SHI HN 2107 (FLEX Ranger) with a group of six banks. The closing conditions were fulfilled on 28 December and two loan tranches of each \$ 105 m were utilized in connection with the two newbuilding deliveries in January. The tenor of the TLF is five years from the date of the last newbuilding financed under the TLF, resulting in an average term of approximately 5.4 years given expected delivery of SHI HN 2107 in May 2018. The remaining \$ 105m loan tranche is expected to be utilized in connection with the delivery of FLEX Ranger expected end June 2018.

The TLF affords the Company significant balance sheet and operational flexibility. Under the terms of the TLF, the Company has the option to swap vessels as collateral for the facility without having to refinance the loan and incur associated costs. This enables the Company to have flexibility to take a vessel out of the collateral base in the event it can be financed in other ways and redeploy the loan to finance a separate newbuilding. The TLF also has no requirement that the Company obtain firm term employment for any of the LNGCs financed under the facility and the financial covenants for the TLF are also not linked to earnings, but rather balance sheet values being book equity level exceeding 25 per cent and free cash being higher than \$ 15 million and 5 per cent of net interest bearing debt. The combination of no requirement of employment and non-earnings based covenants allows for an opportunistic employment approach designed to maximize the Company's exposure to periods of strength in the LNGC rate environment. Furthermore, under the terms of the TLF the Company can seek to increase the size of the loan tranches in the event that it secures longer term employment for a vessel financed under the facility.

\$ 270m Sterna Revolving Credit Facility

In order to alleviate financing risk for the remaining three vessels, the \$ 270 million Sterna RCF was amended and the full amount will now be available until 12 months following delivery of DSME HN 2471 (TBN Flex Courageous). Thereafter \$ 30m will be available for working capital until the maturity of the TLF, unless otherwise agreed. The Sterna RCF relinquished its security in the Flex Endeavour and Flex Enterprise and has secured its loan by share pledge in ship owning companies for Flex Rainbow, Flex Constellation and Flex Courageous. While the Company intends to finance its additional newbuildings with non-affiliated commercial financing, the continued availability of the Sterna RCF will ensure that the Company has minimal financing or liquidity risk. As of March 31, 2018 the amount outstanding under the Sterna RCF was \$ 60m i.e. \$ 210m is free an available under this facility.



Note 7: Going concern

The interim financial statements have been prepared based on the going concern assumption, which contemplates the realization of assets and liabilities as part of the normal business course.

The Board believes that the going concern assumption remains appropriate for the Company. Given the Sterna RCF, the TLF and the recent sale-leaseback, the Company is expected to have working capital for a period of not less than twelve months. In all cases where the Company requires additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed in the report.

Note 8: Related party transactions

A newbuilding supervision agreement has been entered into with Frontline Management (Bermuda) for two vessels on order from Samsung and the two vessels from DSME being delivered in 2018. For the two latter newbuildings, supervision costs are included in the \$ 180m purchase price. In the three month period to 31 March 2018, costs of \$0.7m has been capitalized which is outstanding at the period end. This amount also includes supervision costs for Flex Endeavour and Flex Enterprise delivered January 2018.

The FLEX LNG Management Limited receives staff, office, commercial, legal and accounting support from companies affiliated to Gevevan.

Note 9: Subsequent events

Enel TCP

On 18 April 2018 Flex LNG entered into a 12 months time-charter agreement with Enel Trade S.p.A. ("Enel"). The time charter period of 12 months will commence during the second half of 2019. Enel also has the option to extend the contract by an additional 12 months subsequent to the firm period.

Sale-leaseback of Flex Ranger

On 28 May 2018, Flex LNG received credit approval for a sale leaseback of the LNGC newbuilding Flex Rainbow with an Asian Lessor ("Lessor") based on term sheet signed by the parties 20 March 2018. The sale price under the lease is approx. 75% of the relevant ship building price for Flex Rainbow and where the remaining 25% represent the advance hire for the ten year lease period. The LNGC will be leased back to Flex LNG Rainbow Ltd (the "Lessee"), a subsidiary of Flex LNG, for a period of ten years. Flex LNG will be granted a purchase option as of the second anniversary until the end of the lease period.

The bareboat hire rate will be set according to Libor+350bps margin. As with the \$ 315m term loan facility ("TLF") there will be no fixed employment requirement under the lease so that Flex LNG is free to employ the vessel as it see fit in order to optimize its chartering strategy in a improving LNGC market.

The sale leaseback will be executed subsequent to the delivery of newbuilding from SHI which is scheduled 9 July 2018. The Lessor will until delivery of the vessel have the option to acquire 30 per cent of the Lessee for a consideration of \$ 15.75m. If the Lessor exercise their option to co-invest in the Lessee they will be granted a further option until 31 December 2018 to swap this \$ 15.75m equity investment in the Lessee into new Flex



LNG shares at a price of \$ 1.55 per share subject to customary adjustment for any dividend if applicable.

The UK regulated lease is subject to the execution of definitive documentation and satisfaction of customary closing conditions

Acquisition of two LNGC newbuildings

On May 28, Flex LNG entered into an agreement to acquire two 174,000 CBM X-DF LNGC newbuildings under construction at HHI for an attractive price of \$ 184m each vessel which includes building supervision. Payment terms are favorable with 20 per cent of amount due following signing of such agreement while remaining 80 per cent is due at delivery. Hence seller is funding part of pre-delivery capex which illustrate commitment and support of the largest shareholder as such payment terms are significantly better than what obtainable in the market.

The LNGC newbuildings are to be named Flex Aurora and Flex America respectively. The LNGC newbuildings are scheduled for delivery from HHI in June and August 2020 respectively. The newbuildings are constructed with Mark III Cargo Containment System with a BOR of 0.085. There is a further option, for Flex LNG to evaluate, to add Single Mixed Refrigerant (SMR) LNG re-liquefaction to reduce BOR to 0.04. Both newbuildings are fitted with Selective Catalytic Reduction (SCR) to comply with IMO Tier III regulation both in gas and liquid mode giving them high trading flexibility. This fleet expansion enables Flex LNG to market both types of slow speed two stroke engines being ME-GI and XDF to customers going forward.

The transaction is subject final documentation and execution of the Sale-Leaseback of Flex Ranger

Management changes

Jonathan Cook, Chief Executive Officer of Flex LNG Management Ltd, decided on 28 May 2018 to resign his position to pursue other interests. The Board has decided to appoint Board member Marius Hermansen as Interim CEO and will actively pursue recruitment process of a permanent Chief Executive Officer. The Company has also hired Marius Foss as Head of Commercial. Mr. Foss comes from a similar role at Golar LNG Ltd.

Following the changes in management 28 May and the recruitment of Mr Foss, the Board has increased its focus on building a strong team around the Company's modern LNGC fleet, and given the market outlook, transportation of LNG will be the Company's core focus going forward

Note 10: Key Figures

	2018	2017
No. of shares fully diluted	367,972,382	367,972,382
No. of shares outstanding	367,972,382	367,972,382
Average no. of outstanding shares	367,972,382	307,639,159
Share price (NOK)	10.75	12.95
Market capitalization (NOK'm)	3,956	4,765



FLEX LNG

Top 10 Shareholders as of 31 March 2018

Shareholder	Number of shares	Ownership interest
GEVERAN TRADING CO LTD	191 131 803	51,9 %
VERDIPAPIRFONDET DNB NORGE (IV)	19 211 243	5,2 %
SKAGEN VEKST	8 770 000	2,4 %
FIDELITY PURITAN TRUST: FIDELITY	8 434 900	2,3 %
CATELLA HEDGEFOND	7 250 000	2,0 %
UBS AG ¹	6 000 000	1,6 %
THE BANK OF NEW YORK MELLON SA/NV ¹	4 716 757	1,3 %
EUROCLEAR BANK S.A./N.V	4 667 757	1,3 %
GOLDMAN SACHS & CO. LLC ¹	4 033 151	1,1 %
NORRON SICAV - TARGET	3 840 000	1,0 %
Other	109 916 771	30,0 %
Total	367 972 382	100,0 %

¹ Nominee account