

## FLEX LNG Ltd.

*(an exempted company incorporated under the laws of Bermuda)*

**Listing of 172,938,947 Shares, issued in a Private Placement**

The information contained in this prospectus (the “**Prospectus**”) relates to the listing on Oslo Børs of 172,938,947 shares in FLEX LNG Ltd. (the “**Company**”, taken together with its consolidated subsidiaries the “**Group**”), each with a par value of USD 0.01 (the “**Private Placement Shares**”), issued in a private placement directed towards certain institutional investors for gross proceeds of NOK 2,464,379,994.75, or approximately USD 300 million (the “**Private Placement**”).

For the definitions of capitalised terms used throughout this Prospectus, see Section 19 (*Definitions*). Investing in the Private Placement Shares involves risks; see Section 2 (*Risk Factors*) beginning on page 8.

### *Managers:*

DNB Markets, part of DNB Bank ASA

Pareto Securities AS

ABN AMRO Bank N.V.

Arctic Securities AS

Fearnley Securities AS

Skandinaviska Enskilda Banken AB (publ.) (Oslo Branch)

The date of this Prospectus is 23 November 2018.

## IMPORTANT INFORMATION

This Prospectus has been prepared in order to provide information about the Company and its business in relation to the listing of the Private Placement Shares and to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the “**Norwegian Securities Trading Act**”) and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses (the “**Prospectus Directive**”) as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereafter “**EC Regulation 809/2004**”). This prospectus has been prepared based on the requirements for simplified prospectuses applicable for small and medium-sized enterprises in accordance with the Prospective Directive article 2 no.1 (f). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (Nw. *Finanstilsynet*) (the “**Norwegian FSA**”) has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not verified or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of verification or approval relating to corporate matters described in or referred to in this Prospectus.

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The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment of the Shares between the date hereof and the date of listing of the Private Placement Shares on Oslo Børs, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances create any implication that there has been no change in the Company’s affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

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No person is authorised to give any information or to make any representation in connection with the Private Placement other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or any of DNB Markets, a part of DNB Bank ASA, Pareto Securities AS, ABN AMRO Bank N.V., Arctic Securities AS, Fearnley Securities AS and Skandinaviska Enskilda Banken AB (publ.) (Oslo Branch) (the “**Managers**”) or by any of the affiliates, advisors or selling agents of any of the foregoing.

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The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any shares in any jurisdiction. The Company and the Managers require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions.

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The Private Placement Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

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This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

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Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority (the “**BMA**”), pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its policy dated 1 June 2005, provides that where any equity securities, including the Shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident, for as long as any equity securities of such company remain so listed. Oslo Børs is deemed to be an appointed stock exchange under Bermuda law. In granting such permission, the BMA accepts no responsibility for the Group’s financial soundness or the correctness of any of the statements made or expressed in this prospectus. This Prospectus does

not need to be filed with the Registrar of Companies in Bermuda in accordance with Part III of the Companies Act 1981 of Bermuda pursuant to provisions incorporated therein following the enactment of the Companies Amendment Act 2013. Such provisions state that a prospectus in respect of the offer of shares in a Bermuda company whose equities are listed on an appointed stock exchange under Bermuda law does not need to be filed in Bermuda, so long as the company in question complies with the requirements of such appointed stock exchange in relation thereto.

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## 1. SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A- E (A.1 - E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Company, it is possible that no relevant information can be given regarding the relevant Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A—Introduction and Warnings		
A.1	Warning .....	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Warning .....	Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the shares.
Section B—Company		
B.1	Legal and Commercial Name .....	FLEX LNG Ltd.
B.2	Domicile and Legal Form, Legislation and Country of Incorporation.....	The Company continued in Bermuda on 8 June 2017 and is validly existing under the laws of Bermuda, as an exempted company under the Bermuda Companies Act.
B.3	Current Operations, Principal Activities and Markets.....	<p>The Company is an LNG shipping company which owns and operates a fleet of LNGCs and provides LNG solutions to its customers.</p> <p>As of the date of this Prospectus, the Company owns four LNGCs and has nine LNGCs under construction, with scheduled delivery in 2019, 2020 and 2021.</p>
B.4a	Significant Recent Trends .....	There are no recent trends in production, sales and inventory, and costs and selling prices from the end of the last financial year to the date of this Prospectus. The Company is not aware of any information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s prospects for the year 2018.
B.5	Description of the Group .....	The Company is the parent company of the Group and the operations of the Company are carried out through its operating subsidiaries.
B.6	Interests in the Company and Voting Rights .....	As of 22 November 2018, the latest practical date prior to the date of this Prospectus, and in so far as known to the Company, the following persons had, directly or indirectly, an interest in 5% or more of the issued share capital of the Company which constitutes a notifiable holding under the Norwegian Securities Trading Act):

		Geveran Trading Co. Ltd (“Geveran”)..... 44.6%
<b>B.7</b>	<b>Selected Historical Key Financial Information .....</b>	<p>The Company has experienced a significant change in its financial condition after 31 December 2017 as a result of the Private Placement: The total equity of the Company has increased by approximately USD 295.9 million and the assets of the Company have increased by approximately USD 295 million as a result of the acquisition of the vessels Flex Resolute, Flex Reliance, Flex Freedom, Flex Vigilant and Flex Volunteer.</p> <p>The table below sets out a summary of the Group’s consolidated income statement. The information is derived from the audited financial information for the years ending 31 December 2016 and 31 December 2017, and the unaudited consolidated profit and loss accounts for the three- and six- month periods ending 30 June 2018 and 30 June 2017.</p>

<i>USD thousands</i>	For the three month period ending 30 June 2018 <u>(unaudited US GAAP)</u>	For the three month period ending 30 June 2017 <u>(unaudited IFRS)</u>	For the six month period ending 30 June 2018 <u>(unaudited US GAAP)</u>	For the six month period ending 30 June 2017 <u>(unaudited IFRS)</u>	For the year ending 31 December 2017 <u>(unaudited IFRS)</u>	For the year ending 31 December 2016 <u>(unaudited IFRS)</u>
Vessel operating revenues .....	7,048	8,012	22,100	9,710	27,329	—
Vessel operating costs .....	(3,108)	(14,444)	(15,017)	(17,744)	(36,532)	—
Administrative expenses .....	(929)	(996)	(1,726)	(1,769)	(3,409)	(1,483)
<b>Operating income (loss) before depreciation.....</b>	<b>3,011</b>	<b>(7,428)</b>	<b>5,357</b>	<b>(9,803)</b>	<b>(12,612)</b>	<b>(1,483)</b>
Depreciation .....	(2,753)	—	(5,063)	1	(2)	(2)
<b>Operating income (loss) .....</b>	<b>258</b>	<b>(7,428)</b>	<b>294</b>	<b>(9,802)</b>	<b>(12,614)</b>	<b>(1,485)</b>
Finance income .....	79	57	252	58	123	9
Finance cost .....	(3,174)	—	(5,145)	(234)	(234)	(314)
Other financial items .....	(20)	719	(36)	2,346	2,335	—
<b>Income (Loss) before tax .....</b>	<b>(2,857)</b>	<b>(6,652)</b>	<b>(4,635)</b>	<b>(7,632)</b>	<b>(10,391)</b>	<b>(1,790)</b>
Income tax (expense) credit .....	—	(5)	(2)	(9)	(17)	1
<b>Net income (Loss) .....</b>	<b>(2,857)</b>	<b>(6,657)</b>	<b>(4,633)</b>	<b>(7,641)</b>	<b>(10,408)</b>	<b>(1,789)</b>

The table below sets out a summary of the Group’s audited consolidated balance sheet. The information is derived from the audited financial information for the years ending 31 December 2016 and 31 December 2017, and the unaudited consolidated balance sheet information for the first half of 2018.

	For the six month period ending 30 June 2018 (unaudited US GAAP)	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
<b>Assets</b>			
<i>Non-current assets</i>			
New building assets and capitalised costs .....	173,845	594,937	212,472
Vessels and equipment .....	607,289	3	2
Vessel purchase prepayment .....	145,878	72,000	—
<b>Total non-current assets .....</b>	<b>927,012</b>	<b>666,940</b>	<b>212,474</b>
<i>Current assets</i>			
Inventory .....	2,615	1,041	—
Other current assets .....	1,520	6,568	220
Cash and cash equivalents .....	77,584	9,961	1,439

	For the six month period ending 30 June 2018 (unaudited US GAAP)	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
Total current assets .....	81,719	17,570	1,659
Total assets .....	1,008,731	684,510	214,133
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital .....	3,680	3,680	1,279
Share premium .....	885,388	885,323	563,174
Other equity.....	(373,568)	(368,902)	(358,511)
Total equity.....	515,500	520,101	205,942
<b>Non-current liabilities</b>			
Other financial liabilities.....	467,995	160,000	7,000
Total non-current liabilities .....	467,995	160,000	7,000
<b>Current liabilities</b>			
Accounts payable .....	122	76	46
Accruals and other payables .....	10,674	4,333	1,145
Short term portion of long-term debt .....	14,438	—	—
Total current liabilities.....	25,236	4,409	1,191
Total liabilities .....	493,231	164,409	8,191
Total equity and liabilities.....	1,008,731	684,510	214,133

The tables below set out a summary of the Group's consolidated cash flow information derived from the audited financial information for years ending 31 December 2016 and 31 December 2017, and the unaudited consolidated cash flow information for the first half of 2018 and 2017.

<i>USD thousands</i>	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
<b>Cash flow from operating activities</b>		
(Loss) before tax .....	(10,391)	(1,790)
<b>Adjustment to reconcile loss before tax to net cash flow</b>		
<b>Non cash:</b>		
Finance income .....	(123)	(9)
Finance expense .....	234	314
Share based payment expense.....	115	97
Depreciation .....	2	2
(Loss) / profit on asset disposal .....	—	1
Foreign exchange.....	(2,462)	—
<b>Working capital adjustments:</b>		
Decrease / (increase) in prepayments .....	(5,908)	1
Decrease / (increase) in inventories.....	(1,041)	—
Decrease / (increase) in trade and other receivables.....	(639)	204
(Decrease) / increase in trade and other payables.....	272	579
(Decrease) / increase in accrued expenses .....	(492)	—
(Decrease) / increase in other current liabilities .....	2,653	—
	<b>(17,780)</b>	<b>(601)</b>
Income taxes paid .....	(5)	(1)
Interest received .....	123	9
Interest paid .....	(61)	(486)
<b>Net cash flow from operating activities .....</b>	<b>(17,723)</b>	<b>(1,079)</b>

<i>USD thousands</i>	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
<i>Cash flow from investing activities</i>		
Purchase of plant and equipment .....	(4)	(2)
Advance payment on new build assets .....	(72,000)	—
Payment on new building assets and capitalised expenditure .....	(5,710)	(1,202)
<b>Net cash flow used in investing activities .....</b>	<b>(77,714)</b>	<b>(1,204)</b>
<i>Cash flows from financing activities</i>		
Net proceeds from issue of share capital .....	220,988	—
Net proceeds from issue of debt .....	—	—
Repayment of debt .....	(117,000)	—
Other .....	(29)	—
<b>Net cash flow from financing activities.....</b>	<b>103,959</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>8,522</b>	<b>(2,283)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>1,439</b>	<b>3,722</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>9,961</b>	<b>1,439</b>

<i>USD thousands</i>	For the three month period ended 30 June 2018 (unaudited US GAAP)	For the three month period ended 30 June 2017 (unaudited IFRS)	For the six month period ended 30 June 2018 (unaudited US GAAP)	For the six month period ended 30 June 2017 (unaudited IFRS)
(Loss) before tax .....	(2,857)	(6,652)	(4,635)	(7,632)
Working Capital Adjustments .....	6,872	836	4,969	(1,784)
Other non-cash items .....	2,790	(903)	5,113	(2,292)
<b>Net Cash flow from operating activities.....</b>	<b>6,805</b>	<b>(6,719)</b>	<b>5,447</b>	<b>(11,708)</b>
Newbuilding capex .....	(110,187)	(1,904)	(189,839)	(2,965)
Advance payment for new build assets.....	(73,600)	(72,000)	(73,600)	(72,000)
<b>Net cash flow used in investing activities.....</b>	<b>(183,787)</b>	<b>(73,904)</b>	<b>(263,439)</b>	<b>(74,965)</b>
Net proceeds from issue of share capital .....	—	124,570	—	220,988
Net proceeds from issuance of debt .....	218,688	—	428,688	—
Repayment of debt.....	(2,625)	(40,000)	(102,625)	(117,000)
Other .....	(480)	—	(448)	—
<b>Net cash flow from financing activities .....</b>	<b>215,583</b>	<b>84,570</b>	<b>325,615</b>	<b>103,988</b>
<b>Net cash flow .....</b>	<b>38,601</b>	<b>3,947</b>	<b>67,623</b>	<b>17,315</b>
<b>Cash balance at beginning of period.....</b>	<b>38,983</b>	<b>14,807</b>	<b>9,961</b>	<b>1,439</b>
<b>Cash balance at end of period.....</b>	<b>77,584</b>	<b>18,754</b>	<b>77,854</b>	<b>18,754</b>

See Section 11 (*Financial Information and Other Information*) for information regarding non-cash investing and financing activities.

<b>B.8</b>	<b>Selected Key Pro Forma Financial Information .....</b>	The Transaction exceeds the 25% threshold of the total balance of the Group - defined as a significant transaction according to the ESMA recommendation for preparation of prospectus (item 52), thereby generally triggering the need for pro forma financial information. However, as the Transaction involves the
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		acquisition of assets (vessels under construction) only, and not acquisition of shares of the selling entities, any historical information in relation to these assets will not reflect any commercial activities, and such financial statements are therefore considered not relevant for pro forma purposes. Therefore, no pro forma financial information is included in this Prospectus. Please see section 11.10 for a description of the financial effects of the Transaction.
B.9	Profit Forecast or Estimate .....	Not applicable. No profit forecast or estimate is included in this Prospectus.
B.10	Audit Report Qualification .....	Not applicable.
B.11	Working Capital .....	As of the date of this Prospectus, the Company is of the opinion that the Group's working capital is sufficient for its present requirements and for at least the next twelve months from the date of this Prospectus.
<b>Section C—Securities</b>		
C.1	Type and Class of Securities Being Offered and Admitted to Trading and Identification Number .....	The Company has one class of shares in issue, and all shares in that class have equal rights in the Company. The beneficial interests in the Private Placement Shares are registered with the Norwegian Central Securities Depository (Nw. <i>Verdipapirsentralen</i> ) under ISIN BMG359471114. Following approval of this Prospectus, the Private Placement Shares will be transferred to the Company's ordinary ISIN BMG359471031.
C.2	Currency of Issue .....	The Private Placement Shares are issued in USD and will be quoted and traded in NOK on Oslo Børs.
C.3	Number and Shares in Issue and Par Value .....	As of the date of this Prospectus, the Company's share capital is USD 5,409,992.87 divided into 540,999,287 shares, each having a par value of USD 0.01.
C.4	Rights Attaching to the Securities .....	All shares in the Company provide equal rights in the Company in accordance with the Bermuda Companies Act and the Bye-Laws of the Company (the "Bye-Laws"). The holders of shares in the Company have no pre-emptive rights.
C.5	Restrictions on Transfer .....	The Bye-Laws do not provide for any restrictions, or a right of first refusal, on transfer of Shares. Share transfers are not subject to approval by the Board of Directors. However, pursuant to paragraph 41 of the Company's Bye-Laws, the Board of Directors may refuse to register the transfer of any share held through s branch register, through a person where the Board is of the opinion that such transfer (i) might breach any law or requirement of any authority or any listing exchange, until it has received such evidence as it may require to satisfy itself no such breach would occur, or (ii) would be likely to result in fifty percent or more of the aggregate issued share capital of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.
C.6	Admission to Trading.....	The Company currently expects commencement of trading in the Private Placement Shares on Oslo Børs on or around the date of approval of this Prospectus under the trading symbol "FLNG".
C.7	Dividend Policy.....	As the Group has yet to produce stable cash flow, the Company

		has not paid any dividends for the years 2017 or 2016. There can be no assurances that in any given period dividends will be proposed or declared. In deciding whether to propose a dividend and in determining the dividend amount, the Company's Board of Directors will take into account legal restrictions, the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its borrowing arrangements or other contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintaining of appropriate financial flexibility.
<b>Section D—Risks</b>		
<b>D.1</b>	<b>Key Risks Specific to the Company or its Industry.....</b>	<p><i>Key risks related to the Company and the Industry in which the Company operates</i></p> <ul style="list-style-type: none"> <li>• The Group may not be able to secure contracts for its LNGCs on favorable terms, or at all. If it fails to do so, this will have a material adverse effect on Company profitability.</li> <li>• The Group may not be able to obtain favorable take-out financing for its newbuildings or favorable financing to fund the Group's contemplated growth.</li> <li>• The Group's business, financial condition, results of operations and ability to pay dividends depend on the level of activity in the LNG industry which is uncertain and volatile.</li> <li>• An oversupply of LNGCs in the LNG shipping market would negatively impact the Company's profit.</li> <li>• The Group operates in a highly competitive market consisting of few large players which have more operating experience than the Group.</li> <li>• The Group's newbuilding projects are subject to risks which could if they materialize cause delays or cost overruns and negatively impact the Company's profitability.</li> <li>• The Group's business is subject to counterparty risks and the Group is exposed to the financial condition of these counterparties.</li> <li>• Failure to obtain or retain highly skilled personnel and/or to contract management services for operation of the vessels could adversely affect the Group's operations as the Group's accomplishments depends to a significant extent on the continued services of the individual members of its management team as well as its contractors.</li> <li>• The Group is subject to risks associated with operations and ownership of vessels on the water, including risk of total loss of the vessels, pollution risks, risks of marine hazards etc.</li> </ul>

		<ul style="list-style-type: none"> <li>The Group is subject to risks associated with compliance with laws and regulations and political risks such as regulations relating to sanctions and export and import restrictions, environmental regulations, health safety and environmental regimes.</li> <li></li> </ul>
D.3	Key Risks Specific to the Securities .....	<p><i>Key risks related to the Shares</i></p> <ul style="list-style-type: none"> <li>The price of shares in the Company has fluctuated in the past, and may continue to do so in the future in response to a number of factors beyond the Company's control.</li> <li>Future issuance of shares or other securities may dilute the shareholders and could materially affect the price of the Shares.</li> <li>No due diligence has been carried out prior to the Private Placement.</li> <li>The Company has a major shareholder with significant voting power and influence and the shareholder may significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including but not limited to; appointment of board members, approval of financial statements, dividends and capital increases.</li> <li>Future sales of shares by the Company's majority shareholder or any of its primary insiders may depress the price of the Shares. These sales, or the possibility that these sales may occur, might also make it more difficult for the Company to sell equity securities in the future at a time and at a price it deems appropriate.</li> <li>The Company's shareholders are exposed to risks related to fluctuations in the exchange rate between the two currencies, and can possibly expose the individual shareholder towards this risk</li> <li></li> </ul>
<b>Section E—Offer</b>		
E.1	Proceeds and Estimated Expenses.....	<p>The gross proceeds from the Private Placement were NOK 2,464,379,994.75 or approximately USD 300 million. The Company estimates that the total expenses in connection with the Private Placement will amount to USD 4.1 million.</p> <p>The net proceeds for the Private Placement will accordingly amount to up to approximately USD 295.9 million.</p>
E.2a	Reasons for the Offering .....	<p>The Company intends to apply the net proceeds from the Private Placement to pay down payments under MoAs for the vessels Sea Reliance, Sea Resolute, Sea Freedom, Sea Volunteer and Sea Vigilant (will be renamed Flex Reliance, Flex Resolute, Flex Freedom, Flex Volunteer and Flex Vigilant respectively), and intends to apply the remaining proceeds for working capital</p>

		and general corporate purposes.
<b>E.3</b>	<b>Terms and Conditions for the Offer .....</b>	Not applicable.
<b>E.4</b>	<b>Material and Conflicting Interests .....</b>	<p>The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Group and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company.</p> <p>In accordance with market practice, the Managers will receive fees in connection with the Private Placement and, as such, have an interest in the Private Placement.</p> <p>Beyond the abovementioned, the Company is not aware of any interest of natural and legal persons involved in the Private Placement.</p>
<b>E.5</b>	<b>Selling Shareholders and Lock-Up Agreements..</b>	Not applicable.
<b>E.6</b>	<b>Dilution .....</b>	The Private Placement resulted in a dilution of the then existing shareholders of the Company (to the extent they did not subscribe for shares in the Private Placement) to a holding of approximately 47%.
<b>E.7</b>	<b>Estimated Expenses Charged to Investors.....</b>	Not applicable.

## 2. RISK FACTORS

*An investment in the Shares involves inherent risks. An investor should consider carefully all information set forth in this Prospectus and, in particular, the specific risk factors set out below. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford a loss of the entire investment. If any of the risks described below materialise, individually or together with other circumstances, they may have a material adverse effect on the Group's business, financial condition, results of operations and cash flow, which may affect the ability of the Group to pay dividends and cause a decline in the value and trading price of the Shares that could result in a loss of all or part of any investment in the Shares. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. The information in this Section 2 is as of the date of this Prospectus.*

### 2.1 Risks Relating to the Group and the Industry in which the Group Operates

***The Group may not be able to secure contracts for its LNGCs on favourable terms, or at all.***

No assurance can be given that the Company will manage to obtain favourable contracts for its current and future vessels. Currently, the Group has two time charters in respect of Flex Endeavour and Flex Rainbow, for 412 days and 180 days respectively. There is no certainty that the Group will be able to replace these time charters with equally or more favourable contracts upon their expiry. The two remaining vessels in the Group's existing fleet are in spot trade. Further, there is a risk that the vessels under construction are delivered from the yards without having any employment/time charter contracts fixed. Any periods of non-employment of the vessels will negatively affect the Company's results of operation.

***The Group may not be able to successfully implement its strategies.***

The vision of the Group is to become a leader in owning and operating floating LNGCs. However, no assurances can be made that the Group will successfully implement its strategies as contemplated or that the Company will grow as envisaged in this Prospectus.

***The Group may not be able to obtain favourable take-out financing for its newbuildings or favourable financing to fund the Group's growth.***

The Group's ability to obtain take-out financing for its newbuildings and financing for construction, working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited, and no assurance can be made that the Group will be able to raise new equity or arrange borrowing facilities at favourable terms, or at all. Although Sterna Finance Ltd. (a Company affiliated with Geveran, the Company's largest shareholder) has provided MUS\$ 270 credit and the Group has been able to secure MUS\$ 315 under the MUS\$ 315 Term Loan Facility (as described in Section 8.7 (Material Contracts) below), no assurance can be given that the Company will obtain debt financing from lenders or its shareholders in the future. Uncertainty relating to market conditions affects the Company's ability to obtain financing. This could affect the Group's ability to secure financing for the final instalments under the shipbuilding contracts for the LNGCs which again may result in delays or cancellations of the shipbuilding contracts and claims from the yards.

***The Group has a limited number of vessels and is vulnerable in the event of a loss of revenue of any such vessel(s)***

The Group's fleet currently consists of four vessels and agreements to acquire a further nine vessels. There is no certainty that delivery of future vessels will not be delayed or cancelled. In any event, until such time as the Group's fleet is enlarged, the Group has a limited asset base - any failure to secure employment for existing vessels at satisfactory rates will affect results more significantly than for a company with a larger fleet and may have a material adverse effect on the earnings and value of the Group.

***The Group's business, financial condition, results of operations and ability to pay dividends depend on the level of activity in the LNG industry.***

The LNG shipping markets could be significantly affected by, among other things, volatile natural gas, oil and other energy prices and may be materially and adversely affected by a decline in natural gas exploration, LNG production and exports and the overall demand for natural gas in general and in particular LNG. Gas prices are volatile and are affected by numerous factors beyond the Group's control, including, but not limited to the following:

- worldwide demand for natural gas;
- the cost of exploring for, developing, producing, transporting and distributing natural gas;
- expectations regarding future energy prices - for both natural gas and other sources of energy;
- level of worldwide LNG and exports;
- government laws and regulations, including environmental protection laws and regulations;
- local and international political, economic and weather conditions;
- political and military conflicts and political instability; and
- the development and exploitation of alternative energy sources.

The demand for the Group's services depends on the level of activity in the natural gas industry, which is directly affected by trends in natural gas prices. Any prolonged reduction in natural gas prices could lead to reduced levels of exploration, development and production activity, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations and cash flow.

***Risks associated with oversupply of LNGCs in the LNG shipping market.***

Oversupply of LNGCs leads to reduction in charter hire, which may materially impact the Group's profitability (in particular if the Group's vessels are employed in the spot market). Hence, an oversupply or over ordering of vessels from shipyards will negatively affect the Group's ability to secure favourable contracts on its vessels and its future revenues and profitability.

***The Group is dependent on continued exploration and production of gas.***

The Group depends on oil and gas companies' willingness and ability to continue making operating and capital expenditures to explore, develop and produce natural gas. Limitations on the availability of capital or higher costs of capital for financing expenditures, or the desire to preserve liquidity, may cause oil and gas companies to make additional reductions in future capital budgets and outlays, which will affect the LNG market.

***Limited diversification.***

Due to the lack of diversification in the Group's line of business (the Company is unilaterally exposed to the LNG shipping market), an adverse development in the Group's LNG business or in the LNG industry in general, will have a significant impact on the Group's business, financial condition and results of operations.

***The Group operates in a highly competitive market.***

The LNG shipping industry is highly competitive and includes several larger companies that compete in the markets the Group plans to serve. The Group's operations may be adversely affected if current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than the Group's products and services. Increased competition will negatively affect the Group's ability to obtain favourable terms on construction and financing of newbuildings and will also affect the Group's ability to secure contracts on its LNGCs. Competitive pressures or other factors may also result in significant price competition, which could have a material adverse effect on the Group's results of operations and financial condition.

***The Group's newbuildings are subject to risks which could cause delays or cost overruns.***

The construction processes of the Group's newbuildings are associated with a number of risks, such as risk of costs overruns, fault in design/decisions on the design specifications, risks of disputes with the yards, risks to the environment, risks to the safety of staff and risks of insolvency and financial distress at the shipyards constructing the Group's vessels. No assurances can be given that the vessels will be completed at the anticipated delivery time, at the budget or agreed quality. Prolonged delay in construction may e.g. have negative consequences for time charter contracts entered into for the employment of the relevant vessel. Any materialization of these risks associated with the shipbuilding construction process could materially affect the Group's operating results and financial condition.

***Risks associated with the Group's existing and future debt arrangements.***

The Group's existing debt arrangements contain covenants and other restrictions that limit the Group's business, such as restrictions on the Group's ability to incur additional indebtedness, merge with or enter into transactions with other entities or dispose of substantial parts of its assets, and restrictions in relation to operations, making capital expenditures and change of control provisions. The Group's future debt arrangements will likely contain similar restrictions.

As such, the Group's existing and future debt arrangements could limit the Group's flexibility in pursuing other/attractive business opportunities. The Group's future loan agreements could also place restrictions on the Company's ability to declare dividends to its shareholders and thus affect the Company's ability to distribute dividends to its shareholders. Furthermore, the Group may not be able to generate sufficient cash to service all of its indebtedness which could trigger enforcement actions from its lenders and mandatory acceleration of its borrowings.

All or some of the Group's future debt arrangements may have floating interest rates. As such, significant movements in interest rates could have an adverse effect on the Group's earnings and cash flow. In order to manage the Group's exposure to interest rate fluctuations, the Group may use interest rate swaps to effectively fix a part of any floating rate debt obligations. If the Group is unable to effectively manage its interest rate exposure, any increase in market interest rates would increase the Group's interest rate exposure and debt service obligations.

***The Group's business is subject to counterparty risks.***

The Group currently is party to several contracts and will be so in the future. For example, the Company is party to nine shipbuilding contracts, and certain time and spot charter-out arrangements. In addition, the Group is party to management agreements with Frontline Management (Bermuda) Limited ("Frontline") and certain financing agreements (for more detail, see Section 8.7 (*Material Contracts*) below). As such, the Group is exposed to the financial condition and state of the counterparties to such contracts. Although the pre-delivery instalments under the Group's shipbuilding contracts are secured by refund guarantees, demands under such refund guarantees and payments by refund guarantors may fail or take longer than expected. The ability of each of the Group's counterparties to perform its obligations under a contract with the Group will depend on a number of factors beyond the Group's control, such as the counterparty's financial solidity, technical capabilities and reputation. If a counterparty fails to fulfil its obligations under agreements and/or guarantees with the Group, the Group could sustain significant losses which could have a material adverse effect on its business, financial condition, results of operations and future cash flows.

***Risks associated with keeping up with technological developments and new solutions.***

The market for the Group's business is characterized by continued and rapid technological development, and if the Group is not successful in acquiring new equipment, upgrading the equipment on its vessels or acquiring necessary intellectual property rights in a timely and cost effective manner in response to technological developments or changes in standards in the industry, this could have a material adverse effect on the Group's business.

***Failure to obtain or retain highly skilled personnel and/or to contract management services for operation of the vessels could adversely affect the Group's operations.***

The Group's accomplishments depend to a significant extent on the continued services and know-how of the individual members of its management team and no assurances can be made that any of the management team members will remain with the Group. No assurances can be made that the Group or its contractors will be able to adequately staff its vessels or engage sufficiently experienced personnel, and failure to do so could adversely affect the Group's business, financial condition and results of operations.

***The Group may become subject to litigation that could have an adverse effect on the Group.***

The Group may in the future be involved in litigation, including with its customers/charterers of vessels, vessel managers, shipyards and others. Litigation could have an adverse effect on the Group and the Group cannot predict with certainty the outcome or effect of any claim or other litigation.

***The Group cannot guarantee that the use of the Group's vessels will not infringe on the intellectual property rights of others.***

The majority of the intellectual property rights relating to the Group's vessels and related equipment are owned by the Group's suppliers. In the event that one such supplier becomes involved in a dispute over an infringement of intellectual property rights relating to the equipment owned by the Group, the Group may lose access to repair services or replacement parts, or could be required to cease using some equipment.

***Risks associated with operations and ownership of vessels on the water.***

The operations of the Group's vessels involve numerous operating hazards inherent in marine operations and the LNG industry, such as risks associated with marine disasters and pollution liability, risk of total loss of vessels, governmental requisitions, service downtime on vessels, equipment defects, fires, explosions and hazards inherent in marine operations, such as capsizing, sinking, grounding, collision, damage from severe weather, risks associated with ship-to-ship transfers and marine life infestations.

The Group's insurance may be insufficient to cover losses that may occur to its vessels or result from their operations. If a significant accident or other event occurs that is not fully covered by the Group's insurance, the occurrence could adversely affect the Group's performance.

The amount recoverable under insurance may also be less than the related impact on enterprise value after a loss or may not cover all potential consequences of an incident and include annual aggregate policy limits. As a result, the Group will retain the risk through self-insurance for any losses in excess of these limits. Any such lack of reimbursement may cause the Group to incur substantial costs.

No assurance can be made that the Group will be able to obtain and maintain adequate insurance in the future at rates that the Group considers reasonable, or that the Group will be able to obtain insurance against certain risks.

***Risks associated with compliance with laws and regulations and political risks.***

The Group's operations are subject to various laws and regulations relating to sanctions, export and import restrictions, the environment and health and safety. For example, the operations of the Group's LNGC vessels are subject to the International Convention for Prevention of Pollution from Ships ("MARPOL"), the International Safety Management Code ("ISM Code") for the Safe Operation of Ships and for Pollution Prevention and requirements of the vessels' respective classification societies. Compliance with such laws, regulations, conventions and requirements may require installation of costly equipment or operational changes. Failure to comply with applicable laws, regulations and conventions may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations. As the industry in which the Group operates is dependent on demand for services from the gas industry, the Group is also indirectly affected by changes in law and regulation relating to the energy industry in general. Existing laws or regulations or adoption of new laws or regulations limiting exploration or production activities by gas companies or imposing more stringent restrictions on such activities could adversely affect the Group by increasing its operating costs, reducing the demand for its services and restricting its ability to operate its vessels. Political instability, wars between countries, changes to the world economy and world trade and trading restrictions may also negatively affect the Group's business.

The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting the Group's operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside the Group's control and some of which may result from the failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with applicable legal and regulatory trading obligations could also result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, the seizure of shipments, and the loss of import and export privileges.

***Tax risks***

The Group will from time to time conduct operations through various subsidiaries in countries throughout the world. Tax laws and regulations are complex and subject to interpretation and change, and could result in a higher tax expense, a higher effective tax rate on the Group's future earnings and/or other unfavourable tax situations for the Group, which may have a material adverse effect on the Group's financial position.

***The international nature of the Group's operations involves additional risks including foreign government intervention in relevant markets***

The Group operates in various regions throughout the world. As a result of its international operations, the Group is exposed to political and other uncertainties, particularly in less developed jurisdictions, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy, which have historically affected ocean-going vessels;
- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property or equipment;
- uncertainty of outcome in foreign court proceedings;
- the repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;

- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, and the imposition of trade barriers;
- U.S. and foreign sanctions or trade embargoes;
- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes to taxation;
- other forms of government regulation and economic conditions that are beyond the Group's control; and
- government corruption

***Failure to comply with international anti-corruption legislation, including the U.S. Foreign Corrupt Practices Act 1977 or the U.K. Bribery Act 2010, could result in fines, criminal penalties, damage to the Group's reputation and drilling contract terminations***

The Group operates in a number of countries throughout the world, including some with developing economies. Also, the Group may have business interactions with national oil companies as well as state or government-owned shipbuilding enterprises and financing agencies, which may put the Group in contact with persons who may be considered to be "foreign officials" under the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") and the Bribery Act 2010 of the United Kingdom (the "UK Bribery Act").

In order to effectively compete in some foreign jurisdictions, the Group may utilize local agents and/or establish entities with local operators or strategic partners. All of these activities may involve interaction by the Group's agents with government officials. Even though some of the Group's agents and partners may not themselves be subject to the FCPA, the UK Bribery Act or other anti-bribery laws to which the Group may be subject, if the Group's agents or partners make improper payments to government officials or other persons in connection with engagements or partnerships with the Group, the Group could be investigated and potentially found liable for violations of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on the Group's business and results of operation.

The Group is subject to the risk that the Group or its affiliated companies or the Group's respective officers, directors, employees and agents may take actions determined to be in violation of anti-corruption laws, including the FCPA and the UK Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect the Group's business, results of operations or financial condition. In addition, actual or alleged violations could damage the Group's reputation and ability to do business.

***Climate change and the regulation of greenhouse gases could have a negative impact on the Group's business***

Due to concern over the risk of climate change, a number of countries and the International Maritime Organization (the "IMO") have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions or the Paris Agreement, which resulted from the 2015 United Nations Framework Convention on Climate Change conference in Paris and entered into force on 4 November 2016. As at 1 January 2013, all ships must comply with mandatory requirements adopted by the IMO's Maritime Environment Protection Committee (the "MEPC"). A roadmap for a "comprehensive IMO strategy on a reduction of GHG emissions from ships" was also approved by MEPC at its 70th session in October 2016. These requirements could cause the Group to incur additional compliance costs.

In addition, the EU has indicated that it intends to propose an expansion of the existing EU Emissions Trading Scheme to include emissions of greenhouse gases from marine vessels. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at EU ports from January 2018 collect and publish data on carbon dioxide emissions and other information. In the United States, the Environmental Protection Agency (the "EPA"), has issued a finding that

greenhouse gases endanger public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources.

Compliance with changes in laws, regulations and obligations relating to climate change could increase the Group's costs related to operating and maintaining the Group's assets, and might also require the Group to install new emission controls, acquire allowances or pay taxes related to the Group's greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Any passage of climate control legislation or other regulatory initiatives by the IMO, the European Union, the United States or other countries in which the Group operates, or any treaty adopted at the international level to succeed the Kyoto Protocol, which restricts emissions of greenhouse gases, could require the Group to make significant financial expenditures which the Group cannot predict with certainty at this time.

Additionally, adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for the Group's services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for the use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on the Group's business, including capital expenditures, which the Group cannot predict with certainty at this time.

## **2.2 Risks Relating to the Shares**

***The price of the Shares has fluctuated in the past, and may continue to do so in the future.***

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, significant contracts, acquisitions or strategic relationships, publicity about the Company, its products and services or its competitors, lawsuits against the Company, unforeseen liabilities, changes to the regulatory environment in which it operates or general market conditions.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations may materially affect the price of its Shares.

***Investors may not be able to exercise their voting rights for Shares registered in a nominee account.***

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is (a) re-registered in their names with the VPS (as the branch register), or in the principal share register maintained in Bermuda, prior to the Company's general meetings or (b) the registered nominee holder grants a proxy to such beneficial owner in the manner provided for in the Company's Bye-Laws in force at that time and pursuant to the contractual relationship, if any, between the nominee and the beneficial owner, to vote for such Shares. The Company cannot guarantee that beneficial owners of the Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. Any persons that hold their Shares through a nominee arrangement should consult the nominee to ensure that any Shares beneficially held are voted for in the manner desired by such beneficial owner.

***Future issuances of shares or other securities in the Company may dilute the holdings of shareholders and could materially affect the price of the Shares.***

It is possible that the Company may decide to offer additional shares or other securities in order to finance new capital-intensive investments in the future, to cover unanticipated liabilities or expenses, or for any other purpose. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares as well as the earnings per Share and the net asset value per Share of the Company, and any offering by the Company could have a material adverse effect on the market price of the Shares.

***The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions***

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws, and have not been registered pursuant to the applicable laws of any other jurisdiction outside Norway. Furthermore, the Shares are not expected to be so registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

***No due diligence carried out.***

No due diligence investigations have been conducted prior to the Private Placement and the Group may be subject to material losses or claims which neither the Company nor the Managers are aware of at the date of this Prospectus.

***The Company has a major shareholder with significant voting power and influence.***

Geveran currently holds 44.6% of the votes in the Company, and may significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including but not limited to the appointment of board members, and approval of financial statements, dividends and capital increases. Geveran also has the power of veto in matters to be decided by a shareholders' general meeting requiring a 3/4 majority vote. The interest of the majority shareholder may not necessarily correlate with the interest of the minority shareholders.

***Future sales of the Shares by its majority shareholder or any of its primary insiders may depress the price of the Shares and trigger change of control events under the Group's debt arrangements.***

The market price of the Shares could decline as a result of sales of a large number of Shares in the market by Geveran or the perception that such sales could occur, or any sale of Shares by any of the Company's primary insiders from time to time. Such sales, or the possibility that such sales may occur, might also make it more difficult for the Company to sell equity securities in the future at a time and at a price it deems appropriate. The Company's existing financing agreements and the Group's future debt arrangements will likely contain change of control provisions requiring such borrowings to be repaid if a change of control event occurs.

***The Company may not pay dividends.***

The Company may choose not to, or may be unable to, pay dividends. The amount of dividends paid by the Company in respect of a given financial period, if any, will depend on factors including the Company's future operating results, cash flows, financial position and capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions, legal restrictions (as set out in Section 14.2 (*Legal Constraints on the Distribution of Dividends*)) and other factors that the Company may deem to be significant from time to time.

***There are certain risks connected to the shares being registered in the Norwegian Central Securities Depository (Nw. Verdipapirsentralen) ("VPS").***

The Shares listed on Oslo Børs are for the purpose of Bermudian company law, registered in the Company's register of members in the name of DNB Bank ASA (the "VPS Registrar"), which holds the shares as a nominee on behalf of the beneficial owners. For the purpose of enabling trading of shares on Oslo Børs, the Company maintains a register in the VPS, where the beneficial ownership interests in the shares and transfer of such beneficial ownership interests are recorded.

The Company has entered into a registrar agreement with the VPS Registrar where the VPS Registrar is appointed as registrar and nominee, in order to provide for the registration of each investor's beneficial ownership in the shares in the VPS on investors' individual VPS accounts.

In accordance with market practice in Norway and system requirements of the VPS, the beneficial ownership of investors is registered in the VPS under the name of a "share" and the beneficial ownership is listed and traded on Oslo Børs as "shares" in the Company. Investors who purchase shares (although recorded as owners of the shares in the VPS) will have no direct rights against the Company.

Each VPS-registered share represents evidence of beneficial ownership of one of the shares for the purposes of Norwegian law, however such ownership would not necessarily be recognized by a Bermudian or other court. The VPS-registered shares are freely transferable with delivery and settlement through the VPS system. Investors must look solely to the VPS Registrar for the payment of dividends, for the exercise of voting rights attached to the shares and for all other rights arising in respect of the shares.

***Investors may have difficulty enforcing any judgment obtained in the United States against the Company or its directors***

The Company is incorporated under the laws of Bermuda and its current directors and executive officers reside outside the United States. Furthermore, most of the Company's assets and most of the assets of the Company's directors and executive officers are expected to be located outside the United States. As a result, investors may be unable to effect service of process on the Company or its directors and executive officers or enforce judgments obtained in the United

States courts against the Company or such persons in the United States, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

***Shareholders are subject to currency risk***

The Shares are traded in NOK, while the accounts of the Group and the majority of the Group's transactions, assets and liabilities are exposed to USD exchange rate fluctuation. Accordingly, an investor should consider the exposure towards the risk of fluctuations in the exchange rate between the two currencies.

### **3. RESPONSIBILITY STATEMENT**

The Board of Directors of FLEX LNG Ltd. accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

23 November 2018

**The Board of Directors of FLEX LNG Ltd.**

David McManus (Chairman)  
Georgina E. Sousa  
Marius Hermansen  
Nikolai Grigoriev  
Ola Lorentzon

## 4. GENERAL INFORMATION

*This Section provides general information on the presentation of financial and other information, as well as the use of forward-looking statements, in this Prospectus. You should read this information carefully before continuing.*

### 4.1 Cautionary Note Regarding Forward-Looking Statements

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance; including, but not limited to, statements relating to the risks specific to the Company's business, future earnings, the ability to distribute dividends, the solution to contractual disagreements with counterparties, the implementation of strategic initiatives as well as other statements relating to the Company's future business development and economic performance ("**Forward-looking Statements**"). These Forward-looking Statements can be identified by the use of forward-looking terminology; including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative or other variations or comparable terminology. These Forward-looking Statements are not historical facts. They appear in a number of places throughout this Prospectus; Section 8 (*Business Overview*), Section 9 (*Industry Overview*) and Section 14 (*Dividend and Dividend Policy*) and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, goals, objectives, financial condition and results of operations, liquidity, outlook and prospects, growth, strategies, impact of regulatory initiatives, capital resources and capital expenditure and dividend targets, and the industry trends and developments in the markets in which the Group operates.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Company's actual financial position, operating results and liquidity, and the development of the industry in which the Company operates may differ materially from those contained in or suggested by the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations on which these Forward-looking Statements are based will occur.

By their nature, Forward-looking Statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the Forward-looking Statements. Should one or more of these risks and uncertainties materialize, or should any underlying assumption prove to be incorrect, the Company's business, actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The information contained in this Prospectus, including the information set out under Section 2 (*Risk Factors*), identifies additional factors that could affect the Company's financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all sections of this Prospectus and, in particular, Section 2 (*Risk Factors*) for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates when considering an investment in the Private Placement Shares.

Except as required according to Section 7-15 of the Norwegian Securities Trading Act, the Company undertakes no obligation to publicly update or publicly revise any Forward-looking Statement, whether as a result of new information, future events or otherwise. All subsequent written and oral Forward-looking Statements attributable to the Company or to persons acting on the behalf of the Company are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

### 4.2 Presentation of Industry Data and Other Information

#### Sources of Industry and Market Data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends, market positions, industry trends, competition in the industry in which the Company operates and similar information are estimates based on data compiled by professional organisations, consultants and analysts; in addition to market data from other external and publicly available sources, including market data from Clarksons Shipping Intelligence Network ("**Clarksons SIN**") as well as the Company's knowledge of the markets.

Market data from Clarkson SIN is not publicly available, but can be obtained against payment through <https://sin.clarksons.net/>.

While the Company has compiled, extracted and reproduced such market and other industry data from external sources, the Company has not independently verified the correctness of such data. Thus, the Company takes no responsibility for

the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above mentioned data.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

In addition, although the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Company cannot assure prospective investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. The Company does not intend to or assume any obligations to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, prospective investors should be aware that data in this Prospectus and estimates based on those data may not be reliable indicators of future results.

## **Vessel Valuation Report**

The information and data contained in the vessel valuation report relating to the Company's vessels in this Prospectus have been provided by Fearnleys AS at the request of the Company. Fearnleys AS is an independent and specialized ship brokerage firm with no material interests in the Company. The address of Fearnleys AS is Grev Wedels pl. 9, 0151 Oslo, Norway. Fearnleys AS have given their consent to the inclusion of the vessel valuation reports in this Prospectus. The valuation report relating to the Company's vessels is as of 30 September 2018. There have not been material changes to the values since this date. The value of the Company's vessels provided in the valuation report prepared by Fearnleys AS indicates a value of USD 210 million for FLEX Endeavour, USD 210 million for FLEX Enterprise and USD 210 million for FLEX Ranger. The Company's balance sheet as of 30 June 2018 indicates a value of USD 195 million for FLEX Endeavour, USD 195 million for FLEX Enterprise and USD 218 for FLEX Ranger. The difference in value is due to the fact that vessels and equipment that are "held for use" are assessed for impairment when events or circumstances indicate that 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. There are no changes after 30 June 2018 that indicate that the carrying amount of the asset "held for use" are not recoverable, and as such the balance sheet contains the "held for use" values. See Appendix C – Valuation Report to this Prospectus for further information about the basis of preparation of the vessel valuation report.

## **Financial Information**

Since 1 January 2018, the Company has changed its accounting principles from IFRS to US GAAP. The interim financial information included in this Prospectus is therefore prepared based on US GAAP while the historical financial information for the years ending 31 December 2016 and 2017 has been prepared based on IFRS. The adoption of US GAAP will have no material impact on the Group's financials, nor on comparative figures for Q3 2018, year end 2017 or 2016, as evidenced in the below analysis based on line items in the Company's balance sheet and profit and loss accounts. Given the simplicity of the historical accounts, and since US GAAP is considered to be an accounting principle equivalent to IFRS, no historical financial information has been restated in this prospectus.

### Capitalization of borrowing and other costs (IAS 23/ASC 360-10 & ASC 835-20)

Adoption of US GAAP will have no material impact on newbuilding assets since all costs capitalized to date under IFRS are permitted for capitalization under US GAAP.

### Impairment (IAS 36/ASC360)

Since the IFRS-based impairment model is based on discounted cash flows it may lead to the recognition of impairments of long-lived assets held for use earlier than would be required under US GAAP, since US GAAP is based on undiscounted cash flows. Given that there have been no impairments on the Company's assets, this standard will have no impact on non-current assets.

### Valuation of contracts purchased from Seatankers (ASC 805-50)

The various shipbuilding contracts purchased from affiliates of Seatankers classify as acquisitions of assets that do not constitute a business since the fair value of gross assets is concentrated in a single identifiable asset (the contract). The treatment under IFRS and US GAAP are similar so no changes to the value of these contracts will be required.

### *Inventory (IAS 2/ASC330)*

Adoption of US GAAP will have no material impact on the valuation of inventory since both GAAPs use “lower of cost and net realizable value”, and the FIFO (first in, first out) principle.

### Financial liabilities and equity

Adoption of US GAAP will have no impact on Flex LNG’s financial liabilities and equity due to the fact that financial liabilities are limited to loans that will be settled in cash. For equity there are no differences between the GAAPs.

### Revenue from time charter contracts (IAS 18 & IAS 17/ASC 840 - 10)

The Company’s time charter contracts meet the definition of an operating lease (under both US GAAP and IFRS), and time charter revenue will continue to be recognized on a straight line basis over the term of the relevant time charter (contractual period), excluding periods when the vessel is off hire.

### Revenues from spot charters (IAS 18 & IAS 17/ASC 606)

The Group has not entered into spot charters during 2017 or 2016 and to this extent there will be no impact as a result of ASC 606 implementation.

### *Alternative Performance Measures (Non-US GAAP Measures)*

In this Prospectus, the Group has used basic alternative performance measures (“APMs”) like EBITDA, NIBD and EBIT. The APMs presented herein are not measurements of performance under US GAAP or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenue or operating profit, as a measure of the Group’s operating performance; or (b) any other measures of performance under generally accepted accounting principles. The APMs presented herein may not be indicative of the Group’s historical operating results, nor are such measures meant to be predictive of the Group’s future results. The Group believes that these APMs are commonly reported by companies in the market in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortization, which can vary significantly depending upon accounting methods or based on non-operating factors. Accordingly, the Group discloses the non-US GAAP financial measures presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies and across periods, and of the Group’s ability to service its debts. Because companies calculate the APMs presented herein differently, the Group’s presentation of these APMs may not be comparable to similarly titled measures used by other companies.

### *Small and medium-sized enterprise*

The Company is considered a small and-medium-sized enterprise (SME) pursuant to the Prospectus Directive. This Prospectus has therefore been prepared in accordance with Annex XXV of the EC Regulation 809/2004, whereby a SME company is only required to disclose audited historical financial information covering the latest two financial years. As such, the historical unconsolidated financial statements for the Company for the year ended 31 December 2015 will therefore not be presented in this Prospectus.

### **Other Information**

In this Prospectus, all references to “NOK” are to the lawful currency of Norway and all references to “U.S. dollar”, “US\$”, “USD”, or “\$” are to the lawful currency of the United States of America. In this Prospectus all references to “EU” are to the European Union and its Member States as of the date of this Prospectus; all references to “EEA” are to the European Economic Area and its member states as of the date of this Prospectus; and all references to “US”, “U.S.” or “United States” are to the United States of America. Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly.

## **5. THE PRIVATE PLACEMENT**

*This Section provides summary information about the Private Placement of the Company. You should read this Section in conjunction with the other parts of this Prospectus, in particular, Section 6 (Use of Proceeds; Reasons for the Private Placement), Section 8 (Business Overview), Section 10 (Capitalization and Indebtedness) and Section 11 (Financial Information and Other Information).*

### **5.1 Raising of new equity - Overview of the Private Placement**

On 10 October 2018, the Company announced the Private Placement of 172,938,947 new shares with total gross proceeds of NOK 2,464,379,994.75, equalling approximately USD 300 million, at a subscription price of NOK 14.25 per share which was established based on a book-building process.

In order to facilitate timely settlement of immediately tradable shares to subscribers in the Private Placement, delivery of shares allocated in the Private Placement was made by delivery of existing and unencumbered shares in the Company, pursuant to a share lending agreement entered into between the Company, DNB Markets, part of DNB Bank ASA (on behalf of the Managers) and Geveran. Settlement in the Private Placement took place on 15 October 2018, whereupon the shares delivered to the relevant investors were fully tradable on Oslo Børs. The Managers settled the share loan with a number of new shares in the Company issued in connection with the Private Placement equal to the number of borrowed Shares.

On 10 October 2018, the Board of Directors resolved to increase the Company's share capital pursuant to the authorized share capital of the Company, from USD 3,680,603.4 to USD 5,409,992.87 by issue of the 172,938,947 Private Placement Shares. The Private Placement Shares were delivered under a separate ISIN and will be registered on the Company's ordinary ISIN BMG359471031 with the VPS in book-entry form upon approval of this Prospectus. The Private Placement Shares carry full shareholder rights and rank in parity with all Shares in the Company. Each Private Placement Share has a par value of USD 0.01 and carries one vote per Share.

Following issuance of the Private Placement Shares, the Company has an issued share capital of USD 5,409,992.87 divided into 540,999,287 ordinary shares.

### **5.2 Participation of Members of the Management and Major Shareholders in the Private Placement**

Members of management did not participate in the Private Placement. Geveran was allocated 57,646,316 Shares at the subscription price of NOK 14.25 per share.

### **5.3 Expenses**

The Company estimates that the total expenses in connection with the Private Placement will amount to approximately USD 4.1 million, which comprises fees to the Managers, legal and other advisors, auditors, accountants, Oslo Børs, the Norwegian FSA and providers of transaction advisory services as well as fees incurred in connection with the listing of the Private Placement Shares on Oslo Børs. This amount also includes fees incurred in connection with the Transaction.

### **5.4 Interests of Natural Legal Persons Involved in the Private Placement**

The Managers and/or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliates may currently own Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so.

In accordance with market practice, the Managers received a fee calculated as a certain percentage of the proceeds from the Private Placement as compensation for their services.

Beyond the abovementioned, the Company is not aware of any interest of natural and legal persons involved in the Private Placement.

## **6. USE OF PROCEEDS; REASONS FOR THE PRIVATE PLACEMENT**

### **6.1 Reasons for the Private Placement**

The reason for the Private Placement was (i) to provide the Company with funds enabling certain of its subsidiaries to acquire three high-end MEGI LNG carriers with scheduled delivery in Q3 and Q4 2020 and two high-end X-DF LNG carriers with scheduled delivery in 2021 from certain companies affiliate with Gevean; and (ii) for working capital and general corporate purposes.

### **6.2 Use of Proceeds**

The gross proceeds from the Private Placement were NOK 2,464,379,994.75, or approximately USD 300 million. The Company estimates that the total expenses in connection with the Private Placement will amount to approximately USD 4.1 million. Hence, the net cash proceeds from the Private Placement are estimated to amount to approximately USD 295.9 million.

For the purposes of arriving at the abovementioned USD figures, amounts in NOK have been translated to USD on the basis of a NOK/USD exchange rate of 8.21.

Company intends to apply the net proceeds from the Private Placement to pay the Downpayments (being 30% of the total contract price) under MoAs for the Newbuildings, amounting to a total of USD 275.4 million for all five vessels, and intends to apply the remaining net proceeds for working capital and general corporate purposes. The remaining 70% of the total contract price for the Newbuildings (USD 642.6 million in aggregate) is payable on delivery of the respective Newbuilding, and is intended to be financed by way of debt and/or a sale-and-leaseback arrangement.

Please see Section 7 for more information on the Transaction.

### **6.3 Dilution**

The table below shows the percentage split of the Company's share capital following the Private Placement, split by pre-Private Placement share capital and share capital issued in the Private Placement:

Pre-Private Placement share capital .....	68.03%
Private Placement share capital .....	31.97%

The Private Placement resulted in a dilution of the then existing shareholders of the Company of approximately 47%.

## 7. THE TRANSACTION

*This Section provides information on the background and reasons for, and certain technical aspects of, the Transactions and the admission to trading of the new shares on Oslo Børs. This Section contains Forward-looking Statements based on current expectations and assumptions about the future business of the Group following the completion of the Transactions. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in the Prospectus, particularly in Section 2 (Risk Factors) and Section 4.1 (General Information—Cautionary Note Regarding Forward-looking Statements).*

### 7.1 Overview of the Transaction

On 11 October 2018, the Company's newly-incorporated Marshall Islands subsidiaries FLEX LNG Reliance Limited, FLEX LNG Resolute Limited, Flex Freedom Limited Flex Volunteer Limited and Flex Vigilant Limited (the "**Buyers**") entered into certain memorandums of agreement ("**MoAs**") with Sea Reliance Inc., Sea Resolute Inc., Sea Freedom Shipowning Inc., Volunteer Shipowning Inc. and Vigilant Shipowning Inc. (the "**Sellers**") regarding the acquisition of the five LNG carriers Sea Reliance, Sea Resolute, Sea Freedom, Sea Volunteer and Sea Vigilant (to be renamed Flex Reliance, Flex Resolute, Flex Freedom, Flex Volunteer and Flex Vigilant respectively) (the "**Newbuildings**"). The vessels Sea Reliance, Sea Resolute and Sea Freedom (the "**DSME Vessels**") are currently under construction at the premises of Daewoo Shipbuilding and Marine Engineering Co. Ltd. ("**DSME**") with scheduled delivery in 2020, and the vessels Sea Volunteer and Sea Vigilant (the "**HHI Vessels**") are currently under construction at the premises of Hyundai Samho Heavy Industries Co. Ltd. ("**HHI**") with scheduled delivery in 2021 when the construction of the Newbuildings has been completed (the "**Transaction**").

The Transaction is considered a related party transaction since the Sellers are owned by affiliated companies of Geveran, please see Section 12 (*Related Party Transactions*) for more information.

### 7.2 Background and Rationale for the Transaction

The Transaction will provide the Company with a uniform fleet of nine MEG1 LNGCs and four X-DF LNGCs at attractive prices. The Company will become the leading owner of 5<sup>th</sup> generation LNGCs, which utilize the most advanced propulsion and fuel efficient technology, providing superior earnings capacity compared to the existing LNG fleet. The Transaction will allow the Company to maintain a presence in all three major basins, providing for enhanced customer relationships, increased vessel utilization and shorter distance to load ports.

The purchase price of USD 180 million per vessel on a delivered basis, including newbuilding supervision costs, plus USD 6 million for each of the DSME Vessels for the addition of full reliquification systems, and the payment terms of 30% upfront and 70% at delivery of the vessels are considered to be highly attractive and are more favourable than the position that could be achieved if the company were to pursue similar newbuilds in today's market.

### 7.3 The MoAs related to the Transaction

The MoAs regulate the terms on which the Buyers have agreed to acquire the Newbuildings from the Sellers. The MoAs provide, *inter alia*, that the Buyers will be required to take delivery of the Newbuildings if the respective Seller is required to accept delivery under the shipbuilding contract for the respective Newbuilding, for a purchase price of USD 180,000,000 per Newbuilding (plus, in respect of each DSME Vessel, USD 6,000,000 for a full re-liquefaction system (Burckhardt basis)). Pursuant to the MoAs, 30% of the contract price per vessel is payable within three (3) banking days from the later of (i) the date of execution and exchange of the MoAs and (ii) the date of receipt by the Company of the proceeds from the Private Placement (such payments being the "**Downpayments**"). The remaining 70% of the contract price is payable on delivery of the respective Newbuilding, as further detailed for each of the vessels below:

Newbuilding	Purchase Price	30% Downpayments paid in connection with the Private Placement	70% instalments payable on delivery
FLEX RELIANCE	USD 186,000,000	USD 55,800,000	USD 130,200,000
FLEX RESOLUTE	USD 186,000,000	USD 55,800,000	USD 130,200,000
FLEX FREEDOM	USD 186,000,000	USD 55,800,000	USD 130,200,000
FLEX VOLUNTEER	USD 180,000,000	USD 54,000,000	USD 126,000,000
FLEX VIGILANT	USD 180,000,000	USD 54,000,000	USD 126,000,000

The Company will guarantee the payment obligations of the Buyers pursuant to five parent company guarantees (the “PCGs”). As security for the repayment obligation of the Sellers of the Downpayment in the event that the MoAs are cancelled or terminated, Blue Sea Navigation Holding Inc. has issued five corporate refund guarantees (the “CRGs”) in favour of each of the Buyers.

#### **7.4 Expenses Relating to the Transaction**

As at the date of this Prospectus, the Company expects that the expenses incurred in connection with the Transaction in aggregate will amount to approximately USD 4.1 million. This amount also includes fees incurred in connection with the Private Placement, please see Section 5.3.

#### **7.5 Interests of Natural and Legal Persons Involved in the Transaction**

Geveran, being a shareholder in the Company, and its nominated director (Mr. Marius Hermansen), have interests in the Transaction that may be different from, or are in addition to, the interests of the other shareholders of the Company. Apart from this, the Company is not aware of any material or conflicting interests of natural or legal persons involved in the Transaction.

## 8. BUSINESS OVERVIEW

*This Section provides an overview of the business of the Group as of the date of this Prospectus. The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates; see Section 4.1 (Cautionary Note Regarding Forward-Looking Statements). You should read this Section in conjunction with the other parts of this Prospectus, in particular Section 2 (Risk Factors).*

### 8.1 Introduction

As of the date of this Prospectus, subsidiaries of the Company own two 173,400 m<sup>3</sup> LNGCs (FLEX Enterprise and FLEX Endeavour) and one 174,000 m<sup>3</sup> LNGC (FLEX Ranger). Additionally, the Company is leasing another 174,000 m<sup>3</sup> LNGC available (FLEX Rainbow) through a sale-and-lease back arrangement with a subsidiary of Bank of Communication.. Subsidiaries of the Company have entered into agreements to acquire a further nine vessels (five 173,400 m<sup>3</sup> LNGCs: FLEX Constellation, FLEX Courageous, FLEX Reliance, FLEX Resolute and FLEX Freedom; and four 174,000 m<sup>3</sup> LNGCs: FLEX Aurora, FLEX Amber, FLEX Volunteer and FLEX Vigilant; all 13 vessels taken together being the “Vessels”).

The Company took delivery of its first four vessels (FLEX Endeavour, FLEX Enterprise, FLEX Ranger and Flex Rainbow) in 2018, and its operations have therefore been limited prior to this period.

The Company does not have any employees. The Group currently has six (6) employees. A contract for management services has been entered into between the Company and Flex LNG Management Limited and Flex LNG Management AS, pursuant to which Flex LNG Management Limited renders services to the Group relating to general administration and contract management.

For in-depth descriptions of these charter and management agreements please see Section 8.7 (*Material Contracts*) and Section 12 (*Related Party Transactions*).

### 8.2 History and Development

August 2006: The Company was incorporated in the British Virgin Islands.

October 2009: The Company successfully completed its initial public offering on Oslo Axess.

2012: The Company signed two shipbuilding contracts for two 174,000 m<sup>3</sup> LNG carriers with SHI scheduled for delivery in 2018 (FLEX Ranger and FLEX Rainbow).

October 2014: Gevean increased shareholding in the Company to 43.3% and became obliged to make a mandatory offer for the remaining shares.

December 2014: Gevean mandatory offer closed with an 82% shareholding in the Company.

February 2015: The Company entered into an agreement with Samsung to convert the propulsion system for two LNGCs to 2-stroke slow speed MEGI main engines, delivery amended Q1 and Q2 2018.

December 2016: FLEX LNG Shipping Limited entered into a TCP with Gazprom Singapore to charter in one LNGC, with an option to charter in an additional LNGC.

December 2016: FLEX LNG Shipping Limited entered into a TCP with Woodside Singapore to charter in one LNGC.

January 2017: FLEX LNG Shipping Limited entered into a TCP with Gazprom Singapore to charter in one LNGC.

February 2017: FLEX LNG Shipping Limited entered into a TCP with Spectacle Shipping and Trading Ltd. to charter in one LNGC.

February 2017: Subsidiaries of the Company entered into agreements to acquire two LNGCs under construction at DSME (FLEX Endeavour and FLEX Enterprise) partly against cash consideration and partly against 78,000,000 consideration shares in the Company.

February 2017: The Company announced that it had issued 72,434,782 Shares in a private placement, raising gross proceeds of approximately USD 100 million, and that it would carry out a subsequent offering of up to 7.2 million new Shares for gross proceeds of up to NOK 83 million (approximately USD 10 million). The subsequent offering was completed in June 2017, whereby 37,977 new Shares were issued.

March 2017: A subsidiary of the Company chartered four LNGCs for a term of 6 months with an option to extend for a further six months, in order to establish a market presence and build an operational track record. The Company actively sub-chartered these LNGCs in the spot and short term market to a wide range of LNG charterers.

April 2017: Subsidiaries of the Company entered into agreements to acquire a further two LNGCs under construction at DSME (FLEX Constellation and FLEX Courageous), scheduled for delivery in 2019.

April 2017: The Company announced that it had issued 89,479,166 Shares in a private placement, raising gross proceeds of approximately USD 125 million.

June 2017: The Company was continued into Bermuda.

July 2017: The Company applied for a transfer of listing from Oslo Axess to Oslo Børs and was effectively transferred to Oslo Børs on 18 July 2017.

September 2017: The Company redelivered two of the four chartered-in vessels, and elected to exercise the extension options in respect of the other two, which were out-chartered at profitable rates through to the end of Q1 2018.

January 2018: The Company took delivery of its first vessels, FLEX Endeavour and FLEX Enterprise. FLEX Endeavour commenced a time charter to Uniper Global Commodities, a leading international energy company headquartered in Germany. The time charter is for a period of 15 months plus an option period of three months. FLEX Enterprise was put into spot trade.

April 2018: The Company entered into a 12 month time-charter agreement with Enel Trade S.p.A. The time charter will commence during the second half of 2019, and the counterparty has the option to extend for an additional 12 months.

May 2018: The Company received credit approval for a sale and leaseback of Flex Rainbow with an Asian lessor based on a term sheet signed by parties in March 2018. The sale price under the lease is approximately 75% of the ship building price for FLEX Rainbow, while the remaining 25% represents the advance hire for the ten year lease period.

May 2018: The Company entered into an agreement to acquire two LNGC newbuildings under construction at HHI (FLEX Aurora and FLEX Amber).

May 2018: Jonathan Cook, CEO of Flex LNG Management Limited, resigned his position to pursue other interests. Board member Marius Hermansen was appointed interim CEO, and Marius Foss was appointed Head of Commercial from Golar LNG Limited.

June 2018: The Company took delivery of FLEX Ranger.

July 2018: The Company took delivery of FLEX Rainbow, and executed the Rainbow sale and leaseback.

August 2018: The Company appointed Øystein M. Kalleklev as CEO of Flex LNG Management AS.

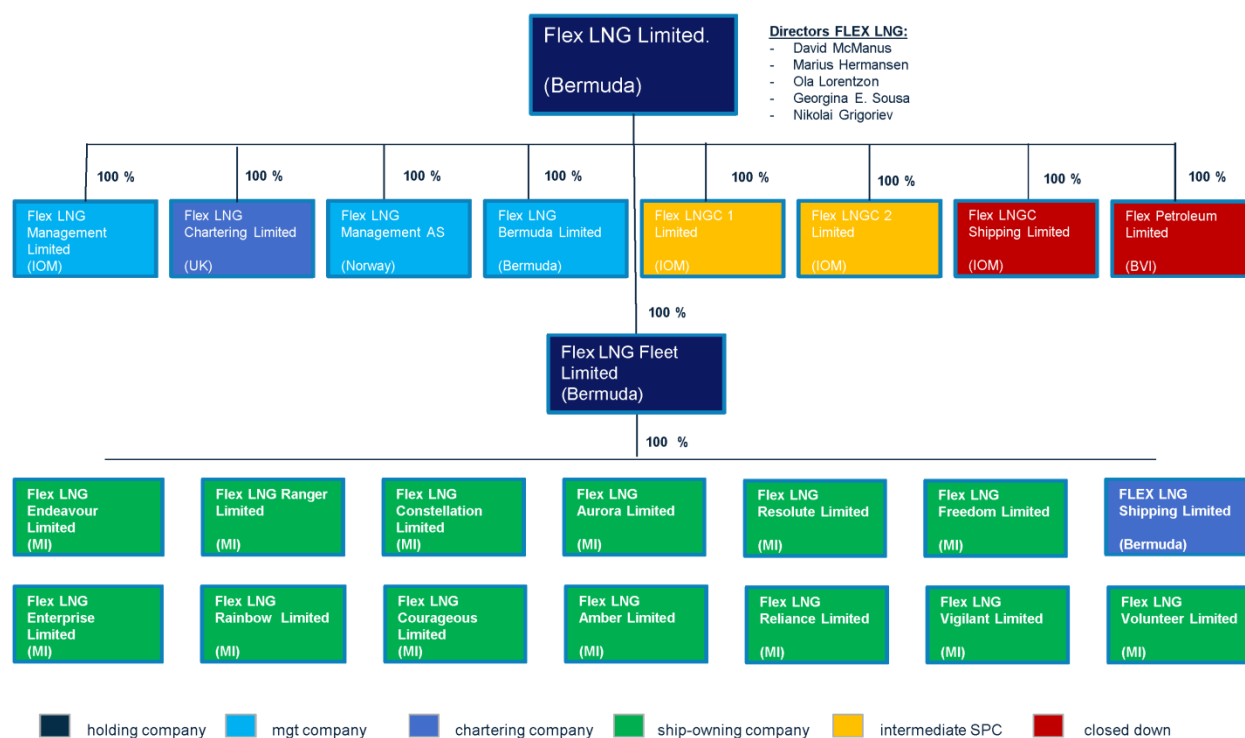
October 2018: Subsidiaries of the Company entered into MoAs with affiliates of Gevean to purchase the five additional Newbuildings (FLEX Resolute, FLEX Reliance, FLEX Freedom, FLEX Vigilant and FLEX Volunteer).

October 2018: The Company announced that it had issued 172,938,947 new Shares in the Private Placement, raising gross proceeds of USD 300 million.

### **8.3 Legal Structure**

The Company is a holding company and the operations of the Group are carried out through its operating subsidiaries. See also Section 15.2 (*Information on Holdings*).

The following charts show the legal structure of the Group:



## 8.4 Fleet

The Group currently has two 173,400 m<sup>3</sup> LNGCs (FLEX Enterprise and FLEX Endeavour) and two 174,000 m<sup>3</sup> LNGCs (FLEX Ranger and FLEX Rainbow). Subsidiaries of the Company have entered into agreements to acquire a further nine vessels (five 173,400 m<sup>3</sup> LNGCs: FLEX Constellation, FLEX Courageous, FLEX Reliance, FLEX Resolute and FLEX Freedom; and four 174,000 m<sup>3</sup> LNGCs: FLEX Aurora, FLEX Amber, FLEX Volunteer and FLEX Vigilant). The following tables summarize key information about the Group's operating fleet, as of the date of this Prospectus.

### Current on-water fleet:

Vessel Name	Vessel Type	Builder	Year Built	Capacity (dwt.)	Employment	Status	Flag	Mortgage under	Owner
FLEX ENDEAVOUR	MEGI	DSME	2018	173,400 m <sup>3</sup>	Employed until Q2 2019	Operating	Marshall Islands	Mortgaged under MUSD 315 Term Loan Facility	Flex LNG Endeavour Limited
FLEX ENTERPRISE	MEGI	DSME	2018	173,400 m <sup>3</sup>	Spot Market	Operating	Marshall Islands	Mortgaged under MUSD 315 Term Loan Facility	Flex LNG Enterprise Limited
FLEX RANGER	MEGI	SHI	2018	174,000 m <sup>3</sup>	Spot Market	Operating	Marshall Islands	Mortgaged under MUSD 315 Term Loan Facility	Flex LNG Ranger Limited
FLEX RAINBOW	MEGI	SHI	2018	174,000 m <sup>3</sup>	Employed until Q1 2019	Operating	Marshall Islands	Mortgaged under Rainbow SLB	Flex LNG Rainbow Limited

*Newbuildings under construction:*

Vessel Name	Vessel Type	Builder	Year Built	Capacity (dwt.)	Expected delivery	Status	Mortgage under	Owner
FLEX CONSTELLATION	MEGI	DSME	2019	173,400m <sup>3</sup>	Available Q2 2019	Newbuilding	N/A	Flex LNG Constellation Limited
FLEX COURAGEOUS	MEGI	DSME	2019	173,400m <sup>3</sup>	Available Q3 2019	Newbuilding	N/A	Flex LNG Courageous Limited
FLEX AURORA	X-DF	HHI	2020	174,000m <sup>3</sup>	Available Q2 2020	Newbuilding	N/A	Flex LNG Aurora Limited
FLEX AMBER (previously called Flex America)	X-DF	HHI	2020	174,000m <sup>3</sup>	Available Q3 2020	Newbuilding	N/A	Flex LNG Amber Limited
FLEX RELIANCE	MEGI	DSME	2020	173,400m <sup>3</sup>	Available Q3 2020	Newbuilding	N/A	Flex LNG Reliance Limited
FLEX RESOLUTE	MEGI	DSME	2020	173,400m <sup>3</sup>	Available Q3 2020	Newbuilding	N/A	Flex LNG Resolute Limited
FLEX FREEDOM	MEGI	DSME	2020	173,400m <sup>3</sup>	Available Q4 2020	Newbuilding	N/A	Flex LNG Freedom Limited
FLEX VOLUNTEER	X-DF	HHI	2021	174,000m <sup>3</sup>	Available Q1 2021	Newbuilding	N/A	Flex LNG Volunteer Limited
FLEX VIGILANT	X-DF	HHI	2021	174,000m <sup>3</sup>	Available Q2 2021	Newbuilding	N/A	Flex LNG Vigilant Limited

Currently, the Group's vessels Flex Endeavour and Flex Rainbow are employed under time charters, for 412 days and 180 days, until Q2 and Q1 2019 respectively. Please see Section 8.7 for a more detailed description of these time charters. The two remaining vessels in the Group's existing fleet (Flex Ranger and Flex Enterprise) are in spot trade and have benefited from higher rates and better utilization in the market during second half of the year which will contribute in increased revenues.

#### **Management of the Fleet**

Please refer to Section 8.7 (*Material Contracts - Ship Management Agreements*) for an overview of the Group's ship management agreements.

### **8.5 Strategy of the Company**

The strategy of the Company is to continue owning and operating LNGCs and chartering them to customers.

The Company endeavours to continue providing excellent, safe and efficient operation of its vessels, which are being commercially utilised by the Company's respective clients on a variety of projects throughout the world.

The Company will continue to have a proactive approach to further accretive structural transactions. It is constantly evaluating opportunities in the charter, newbuild and second-hand market. The Company will however emphasize that no such opportunities will be committed to on a speculative basis. Projects will only be pursued where there is a tangible long-term contract with bankable counterparties and project structures.

## **8.6 Disclosure of Dependency on Contracts, Patents and Licenses**

The Company is not materially dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes by the time of this Prospectus, except for the contracts described in Section 8.7 (*Material Contracts*) and Section 12 (*Related Party Transactions*) below. The Company is dependent, however, on its ability to comply with certain law and regulations applicable from time to time which can significantly affect the ownership and operation of its vessels, including certain environmental regulations, such as Emission Control Areas and global IMO regulations on sulphur content in fuel coming into effect in 2020. Given the modern nature of the vessels under construction, the Company expects to meet these requirements.

## **8.7 Material Contracts**

As of the date of this Prospectus, neither the Company nor its subsidiaries have entered into any material contracts outside the ordinary course of business during the last two years. Below is a summary of the material contracts entered into by the Company and its subsidiaries which are within the ordinary course of business of the Group.

Some of the Group's material contracts are also contracts with related parties. For a further description of these contracts please see Section 12 (*Related Party Transactions*).

### **Shipbuilding contracts for construction of LNGCs:**

#### *Two newbuildings with Samsung:*

The Company entered into two shipbuilding contracts with Samsung for two new 174,000m<sup>3</sup> LNGCs with fuel efficient 2-stroke slow speed MEGI main engines (FLEX Ranger and FLEX Rainbow). The company took delivery of the newbuildings in Q2 and Q3 2018.

#### *Two newbuildings with DSME (FLEX Enterprise and FLEX Endeavour):*

The Company entered into two shipbuilding contracts for the construction of two 173,400m<sup>3</sup> LNGC with the fuel efficient 2-stroke slow speed MEGI main engine - FLEX Enterprise and FLEX Endeavour (the entry into such contracts, taken together with the entry into the two shipbuilding contracts with Samsung referred to above, being the “**2017 Transactions**”, and the private placements undertaken in connection therewith being the “**2017 Private Placements**”). The Company took delivery of these vessels in Q1 2018.

### **The Endeavour/Enterprise Transaction documents:**

In March 2017, the Company announced that FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited had entered into agreements to take over shipbuilding contracts with DSME from Bacchus and Dionyssos respectively (the “**Endeavour/Enterprise Transaction**”). Whereas the Novation Agreements (described below) set out the terms of the contractual novation to FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited, the Endeavour/Enterprise Transaction documents regulate, *inter alia*, the consideration payable for the novation. As consideration for the novation, the Company issued certain consideration shares to Geveran, and FLEX LNG Fleet Limited assumed USD 270,000,000 of indebtedness to Sterna Finance pursuant to the MUSD 270 Facility Agreement described below. This indebtedness was repaid on 13 July 2018.

### **The Novation Agreements:**

Each of FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited entered into separate novation agreements with Dionyssos and Bacchus and DSME for the novation of the shipbuilding contracts under the Endeavour/Enterprise Transaction (the “**Novation Agreements**”). As of the effective date of the Novation Agreements, FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited assumed responsibility for all remaining obligations of the buyer under the shipbuilding contract (including paying the final delivery instalment amounting to approximately USD 10.2m under each shipbuilding contract).

### **The Indemnity Agreement:**

In connection with the 2017 Transactions, the Company entered an indemnity agreement with Seatankers whereby Company agreed to indemnify Seatankers in respect of any amounts which Seatankers may pay to DSME under the Seatankers Guarantees (the “**Indemnity Agreement**”). The annual guarantee fee payable to Seatankers under the Indemnity Agreement is USD 200,000. This agreement was terminated in connection with delivery of FLEX Enterprise and FLEX Endeavour.

### **Memorandums of Agreement for acquisition of LNGCs:**

The Company is party to MoAs for the acquisition of two 173,400m<sup>3</sup> LNGC vessels to be named FLEX Constellation and FLEX Courageous. These are sister vessels of FLEX Enterprise and FLEX Endeavour. The MoAs provide, among other things, that the Company will be required to take delivery of the vessels under the MoAs if the respective selling entity is required to accept delivery under the shipbuilding contract for the respective vessel for a purchase price of USD 180,000,000 per vessel. The expected delivery date of FLEX Constellation is 30 June 2019 and the expected delivery date of FLEX Courageous is 31 August 2019. The Company paid 20% of the contract price when entering into the MoAs and the remaining 80% will be paid at delivery of the vessels in Q2 and Q3 2019.

The Company is party to agreements with an affiliate of Geveran to acquire two 174,000m<sup>3</sup> X-DF LNGC newbuildings under construction at HHI (to be named Flex Aurora and Flex Amber) for USD 184,000,000 each, which includes building supervision. The vessels are scheduled for delivery in 2020. The Company has made advance payments of USD 73.6 million which are recorded as vessel purchase prepayments as the seller continues to hold the shipbuilding contract with the yard and is responsible for the supervision of the vessels’ construction, with title transferring to the Company at the date of delivery.

### **Memorandums of Agreement for acquisition of the Newbuildings:**

On 11 October 2018, the Buyers entered into MoAs regarding the acquisition of the five Newbuildings from the Sellers. The purchase price is USD 180,000,000 per Newbuilding (plus, in respect of each DSME Vessel, USD 6,000,000 for a full re-liquefaction system (Burckhardt basis)). The Downpayments are payable within three (3) days of receipt of the proceeds from the Private Placement and the remaining part of the contract price is payable upon delivery of the respective Newbuilding. The delivery of each Newbuilding from its Seller to the respective Buyer shall take place simultaneously with the delivery of the Newbuildings from the relevant yard to the Sellers under the relevant shipbuilding contract. Delivery is expected in 2020 and 2021. The Company will guarantee the payment obligations of the Buyers pursuant to five PCGs and Blue Sea Navigation Holding Inc. will guarantee the repayment obligation of the Sellers of the Downpayment in the event that the MoAs are cancelled or terminated, pursuant to five CRGs.

### **Time Charter Parties:**

#### *TCP with Uniper Global Commodities:*

On 28 December 2017, the Group announced that it had entered into a time-charter contract for FLEX Endeavour with Uniper Global Commodities, a leading international energy company with operations in more than 40 countries, and headquarter in Germany. The time-charter period is for 15 - 18 months, and commenced upon delivery of the vessel in January 2018.

#### *TCP with Enel Trade S.p.A:*

On 18 April 2018, the Group announced that it had 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. The Company 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. FLEX Enterprise will continue to trade in the spot market until the time charter with Enel commences in 2019.

### **Financing Agreements:**

#### *MUSD 270 Facility Agreement:*

In connection with the 2017 Transactions, the Company’s Bermuda incorporated subsidiary FLEX LNG Fleet Limited entered into a USD 270,000,000 facility agreement (the “**MUSD 270 Facility Agreement**”) with Sterna Finance Ltd. (an affiliate company of Geveran). The full amount of the MUSD 270 Facility was deemed drawn on the closing of the associated transaction, and then fully repaid on 13 July 2018. Even though the Group has repaid the initial drawn amount

under the MUSD 270 Facility, it can draw under the facility at any time to the extent the total outstanding amount under the MUSD 270 Facility do not exceed USD 270,000,000. The MUSD 270 Facility matures in January 2021 and carries interest of 3% p.a. plus LIBOR. The MUSD 270 Facility Agreement contains customary representations and warranties and undertakings such as limitations on disposal of assets and compliance with law provisions, acceleration of loan upon a change of control and other standard terms and conditions usually found in loan facilities based on arm's length terms. The Company has guaranteed all obligations of FLEX LNG Fleet Limited under the MUSD 270 Facility.

#### *MUSD 315 Term Loan Facility*

In connection with the 2017 Transactions, the Group entered into a USD 315 million term loan facility agreement for the purposes of financing the take-out instalments of the three vessels FLEX Endeavour, FLEX Enterprise and FLEX Ranger (the "MUSD 315 Term Loan Facility"). The term loan facility was fully drawn upon delivery of FLEX Ranger in July 2018. The MUSD 315 Term Loan Facility carries interest of 2.85% p.a. plus LIBOR, and contains customary representations and warranties such as limitations on disposal of assets and compliance with law provisions, acceleration of loan upon a change of control and other standard terms and conditions usually found in loan facilities based on arm's length terms. The loan is secured by first priority ship mortgages in each of the vessels.

#### *Rainbow Sale and Leaseback*

In July 2018, the Company executed a sale and leaseback transaction of Flex Rainbow with an Asian lessor based on a term sheet signed by the relevant parties in March 2018. The sale price under the lease is approximately 75% of the ship building price for FLEX Rainbow, while the remaining 25% represents the advance hire for the ten year lease period.

#### **Management Agreements:**

##### *Management services:*

The Company does not have any employees. The Group currently has six (6) employees. A contract for management services has been entered into between the Company, FLEX LNG Management Limited and Flex LNG Management AS. According to this agreement, FLEX LNG Management Limited renders services to the Group relating to general administration and contract management. FLEX LNG Management Limited is entitled to compensation covering its expenses plus a mark-up. FLEX LNG Management Limited uses office space and accounting support from companies affiliated to Gevevan. Total compensation paid to FLEX LNG Management Limited was approximately USD 2.5 million for the year ended 31 December 2017 and approximately USD 1.1 million for the year ended 31 December 2016. FLEX LNG Management Limited is wholly owned by the Company, see Section 8.3 (*Legal Structure*).

##### *Ship Management Agreements:*

Each of the ship-owning Group entities has entered into an agreement with Frontline for the management and supervision of the LNGC newbuildings owned by the companies, with effect from the delivery of the vessels. The services to be provided by Frontline include technical management of the vessels, purchase of goods and services within the ordinary course of business and other services of an administrative nature. Frontline is entitled to sub-contract any of the services to be provided under the agreement to Frontline Management AS or other associated companies. Frontline will provide quarterly invoices for services rendered and in addition receive a monthly payment of USD 2,772 for technical supervision. Each of the parties may terminate the contract on three months' notice. The fee is subject to annual review.

##### *Newbuilding supervision*

The respective ship-owning Group entities entered into contracts pursuant to which Frontline provided newbuilding supervision services in respect of two vessels that were under construction at SHI (Flex Ranger and Flex Rainbow) and two vessels under construction at DSME (Flex Enterprise and Flex Endeavour). In consideration for the services, Frontline received a monthly fee of USD 115,745. These agreements terminated on the last day of the month in which the respective vessel was delivered to the Company.

The Sellers will be responsible for the supervision of the Newbuildings until they have been delivered to the Buyers, and the Group will therefore not enter into any supervision management agreements in respect of the Newbuildings.

## **8.8 Legal and Arbitration Proceedings**

As of the date of this Prospectus, the Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) during the course of the preceding twelve months, which may have, or have had in the recent past significant effects on the Company or the Group's financial position or profitability.

## **8.9 Research and Development**

The Group is not involved in any material research and development activities.

## 9. INDUSTRY OVERVIEW

*This Section discusses the industry and markets in which the Group operates. Certain of the information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organizations, consultants and analysts; in addition to market data from other external and publicly available sources, and the Company's knowledge of the markets, see Section 4.2 (Presentation of Market Data and Other Information). The following discussion contains Forward-looking Statements, see Section 4.1 (Cautionary Note Regarding Forward-Looking Statements). Any forecast information and other Forward-looking Statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 (Risk Factors) for further details.*

### 9.1 Introduction

The Company's business is marine transportation of LNG, referred to as LNG shipping. The marine transportation is done by means of specialized ships, referred to as LNGCs, which are vessels built to meet the specialized requirement of the LNG products.

LNG is used as a term to describe the super cool liquid form of natural gases, being a mix of hydrocarbon gasses (mainly methane, but also commonly including varying amounts of other higher alkanes and various other gases). The natural gas can primarily be extracted from oil fields or natural gas fields, but in later years an increasing amount of gas is being extracted from more challenging and untraditional resource types such as sour gas, tight gas, shale gas, and coalbed methane.

An important source of energy, natural gas is non-toxic, clean-burning and relatively inexpensive. Although predominantly used for electricity generation, heating and cooking, natural gas is also utilized as a chemical feedstock in the industrial sector and, to a lesser extent, as fuel for vehicles. In producing regions with a high natural gas demand, pipelines are constructed when it is economically feasible to transport natural gas in from a wellsite to an end consumer. In end-user regions without access to pipelines, natural gas may be transported on tanker trucks or railway tankers (if by land) or by LNGCs (if by sea).

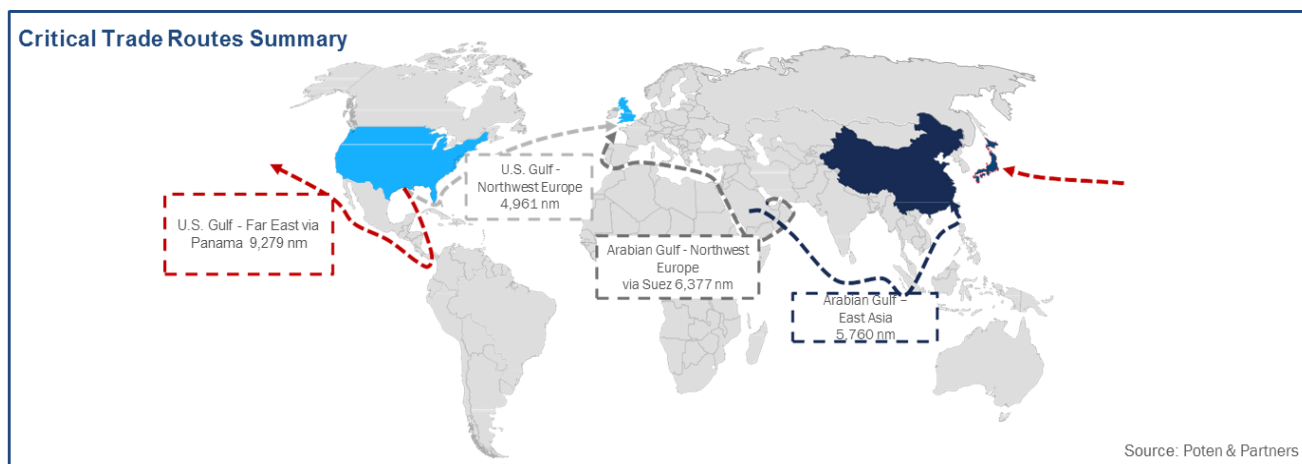
LNG is a product that requires processing both at the supplying and at the receiving end of the transportation chain. This is because transportation is only economically feasible when the gas is in a liquid state. Liquefaction of natural gas reduces the volume to 1/600 of the gaseous state and therefore makes it economical for transportation by sea.

At the supply source of the transportation chain, liquefaction is done at specialized liquefaction plants, referred to as "liquefaction trains", where undesired heavy hydrocarbons and non-hydrocarbons are removed from the natural gas before cooling the natural gas to approximately -162 °C (-260 °F) to become liquid at close to atmospheric pressure. Similarly, at the receiving end of the transportation chain, the LNG is regasified to its gaseous state before being distributed to the end-user through pipelines.

LNG shipping is closely related to the liquefaction and regasification processes that take place at either end of the transportation chain. Liquefaction can be done onboard specialized ships (floating liquefaction plants), being a relatively new trend in the LNG business. Regasification onboard FSRUs have also become an important part of the LNG business.

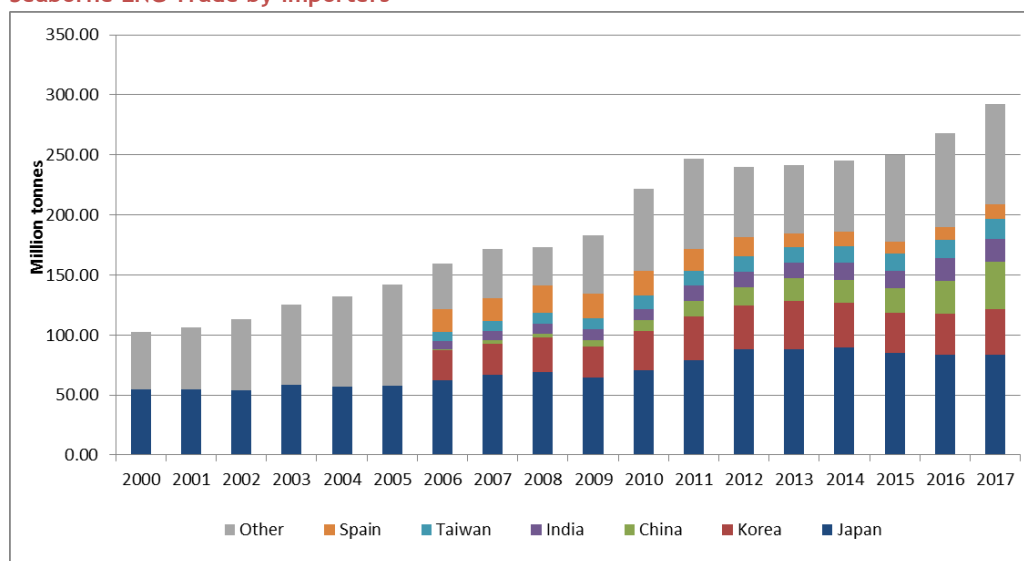
## 9.2 LNG supply and demand

The chart below provides an overview of the key trade routes for LNG transportation (in liquid state).



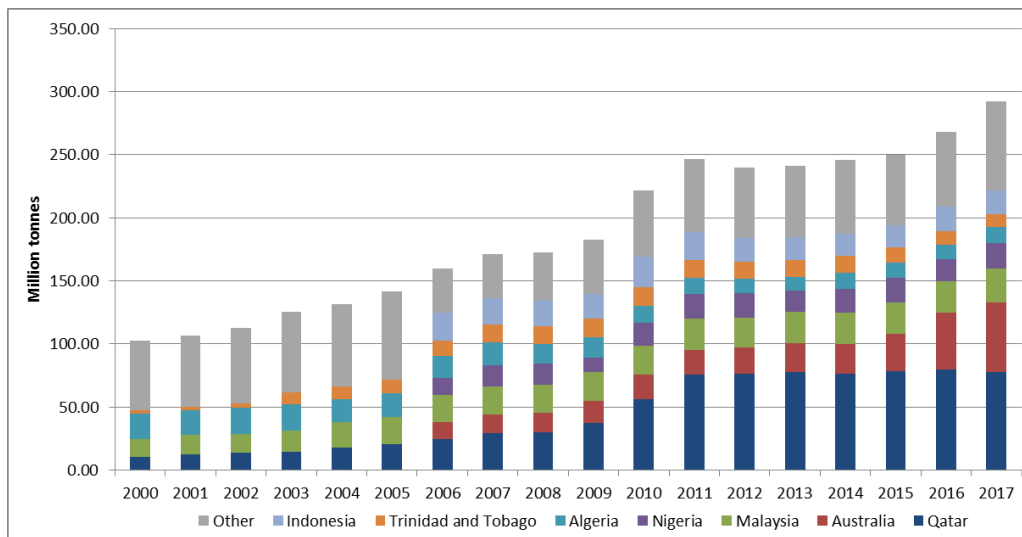
The volume of LNG shipping amounted to approximately 268 million tonnes in 2016 and increased to 292 million tonnes in 2017. As set out in the following charts, this volume has been subject to large changes, having increased from approximately 103 million tonnes in 2000. Among the factors that have contributed to this growth, are relatively low gas prices, large new discoveries and developments of natural gas resources, large developments of liquefaction plants to monetize these resources, as well as factors contributing to reducing the cost of importing LNG, such as FSRUs. During this period, there have been large changes both in the supplying (exporting) and consuming (importing) regions for LNG, giving rise to a more complex pattern of seaborne transportation.

### Seaborne LNG Trade by importers



Source: Clarksons SIN

## Seaborne LNG Trade by exporters



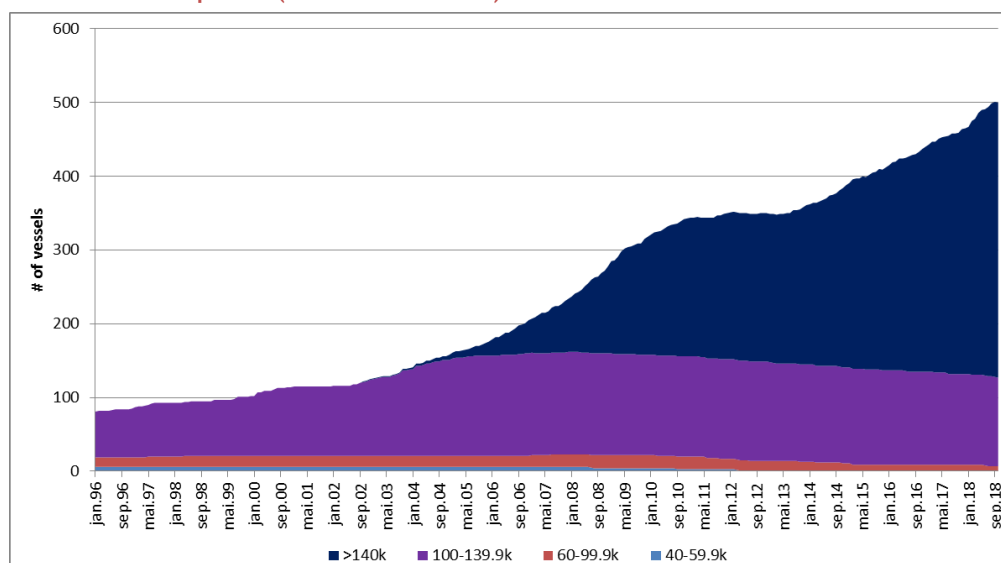
Source: Clarksons SIN

Demand for natural gas and LNG is closely correlated with general energy demand, which in turn is closely related to economic growth and development. Factors impacting the demand for natural gas also include environmental awareness (particularly in comparison with coal) and relative price to other energy sources (particularly crude oil). The main rationale for securing access to natural gas has been economics - as natural gas is more cost effective than running power plants on fuel oil. In addition to the economic rationales for substituting other sources of energy with natural gas, the list of operational projects reveal other reasons for wanting access to LNG, including lack of sufficient electricity generation from hydro power plants (e.g. Brazil), large seasonal differences in demand (e.g. Dubai/Kuwait), security of supply and geopolitical considerations (e.g. Lithuania), falling domestic natural gas production (e.g. Egypt), and increased demand for energy, or LNG volumes already contracted on long-term deals (e.g. Indonesia). Also, factors such as the temporary shutdown of nuclear power plants in Japan following the Fukushima disaster in 2011 have impacted LNG demand.

## 9.3 The LNGC fleet

LNGCs have been built since 1964. In October 2018, the fleet was made up of approximately 500 LNGCs (>40k cubic meters) with various cargo and propulsion systems. The chart below provides an overview of the fleet development including ship sizes. The LNGC orderbook as of 1 October 2018 for vessels larger than 40,000 cubic meters stands at 107 vessels, of which 105 are larger than 140,000 cubic meters. In volume terms, the orderbook to fleet ratio stands at approximately 21% of the existing fleet (>40k cubic meters). The majority of the ships in the orderbook are contracted against specific charter contracts.

### LNG fleet development (>40k cubic meters)



Source: Clarksons SIN

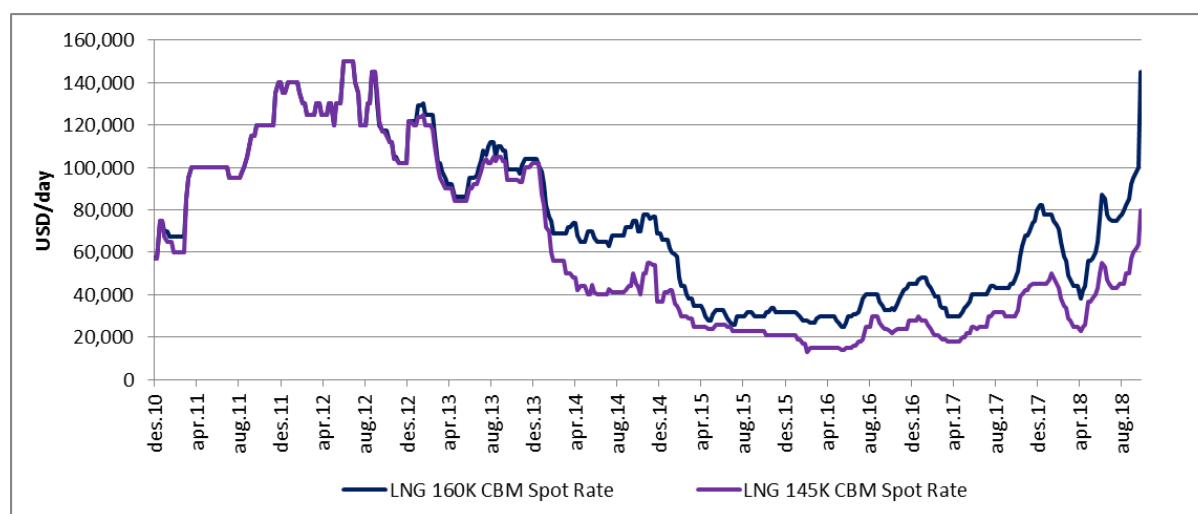
Up to 2010, LNGCs were generally constructed with steam turbines for propulsion. While these vessels still make up a large part of the fleet, they have a cost disadvantage to modern vessels due to higher fuel consumption. Starting around 2002, owners started building LNGCs with dual fuel diesel engines or tri fuel diesel engines, making up the bulk of the current modern tonnage. Starting around 2012, engine makers started offering engines with slow speed two stroke engines referred to as ME-GI (high pressure) or X-DF (low pressure), being specifically made for ships propelled by gas.

#### 9.4 Rate developments

The majority of the LNGC fleet is contracted on long term contracts that link specific exporters to specific importers. This contract structure means that a large part of the LNG shipping business is of a more industrial nature than many other shipping businesses. However, there is also a part of the LNGC fleet that is constructed without contract coverage and which serves shorter-term contracts or spot trading.

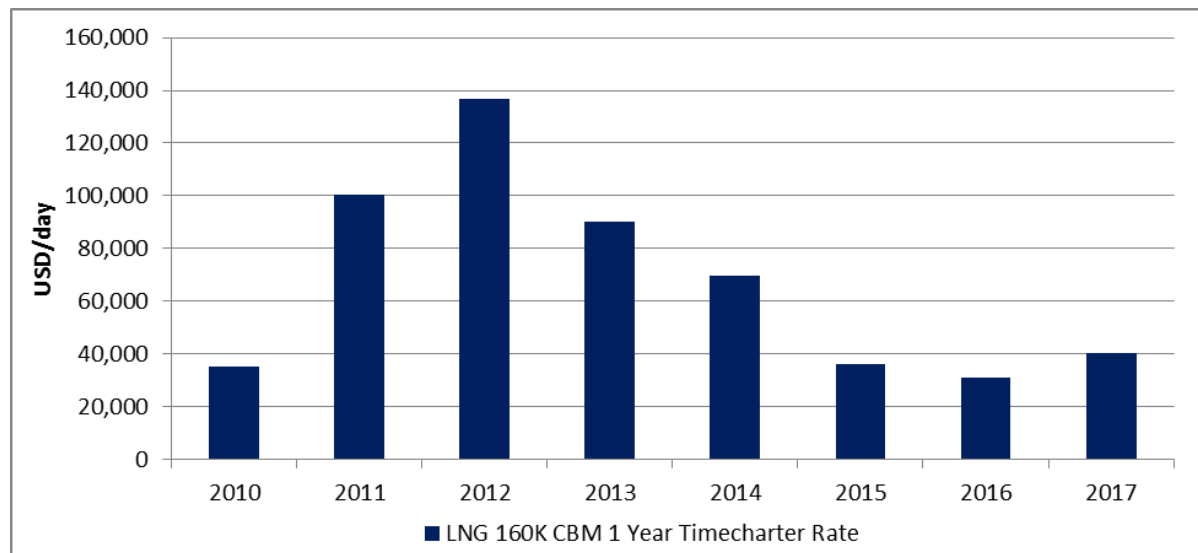
The charts below set forth historical rate developments in the LNG shipping market:

##### LNG spot rates



Source: Clarksons SIN

##### LNG TC rates



Source: Clarksons SIN

The spot and short term contract market is influenced by supply and demand imbalances, and may be volatile. The market spiked in 2011/2012 following the Fukushima disaster in Japan, as all Japanese nuclear power plants were temporarily shut down. This caused the demand for natural gas to increase significantly in Asia and LNG prices increased as well. As a result there was a large price differential for LNG between Europe and Asia and the demand for LNGCs increased with the flow of LNG from Atlantic to the Pacific. In late 2014 and 2015 the price for crude oil dropped significantly along with a slowdown in the global economy, resulting in the drop in LNG prices in Asia and the closing of the arbitrage between Atlantic and Pacific bases prices. Since that period, the market has been characterized by an

oversupply of LNG tonnage, mainly caused by delays in new LNG capacity coming on stream and the reduced intra basin trading. This overhang of tonnage has caused freight rates to be depressed.

While no assurance can be given for the factors influencing future rates, there are indications that the current overhang of tonnage may be taken up by the added LNG export capacity coming on-stream in the period 2017 - 2020. As a result of a tighter market for shipping, the 1 year time charter rate as of 19 October is being quoted at USD 110,000 by ship broker Simpson Spencer & Young.

## 10. CAPITALISATION AND INDEBTEDNESS

This Section provides information about (a) the Group's capitalization and net financial indebtedness on an actual basis as of 30 June 2018, derived from audited financial information, and (b) on the Group's capitalization and net financial indebtedness on an adjusted basis to show the estimated effects of the items listed below. You should read this information together with the other parts of this Prospectus, in particular Section 11 (Financial Information and Other Information), as well as the Company's Financial Statements attached to this Prospectus in Appendix A.

Other than the Private Placement, the Transaction (including the Downpayments), a sale and leaseback arrangement and the repayment of the MUSD 270 Facility, there has been no material change to the Company's capitalization and net financial indebtedness since 30 June 2018.

For further details regarding the Private Placement and the Transaction, see Section 5 (The Private Placement) and Section 7 (The Transaction), respectively.

### 10.1 Capitalisation

As of 30 June 2018  
(Unaudited)

USD thousands

	As reported	Adjustment <sup>(2)</sup>	Adjustment <sup>(3)</sup>	Adjustment <sup>(4)</sup>	As adjusted
<b>Total current liabilities</b> .....	<b>25,236</b>			—	<b>25,236</b>
—Guaranteed.....	—	—	—	—	—
—Secured <sup>(1)</sup> .....	14,438	—	—	—	14,438
—Unguaranteed/ unsecured .....	10,798	—	—	—	10,798
<b>Total non-current liabilities</b> .....	<b>467,995</b>		<b>157,500</b>	<b>(173,600)</b>	<b>451,895</b>
—Guaranteed .....	—	—	—	—	—
—Secured <sup>(1)</sup> .....	294,395	—	157,500	—	451,895
—Unguaranteed/unsecured .....	173,600	—	—	(173,600)	—
<b>Total liabilities (A)</b> .....	<b>493,231</b>		<b>157,500</b>	<b>(173,600)</b>	<b>477,131</b>
<b>Shareholders' equity</b>					
—Share capital .....	3,680	1,729	—	—	5,409
—Legal reserves.....	—	—	—	—	—
—Share premium.....	885,388	294,171	—	—	1,179,559
—Retained earnings (deficit).....	(373,568)	—	—	—	(373,568)
—Options, warrants and shares .....	—	—	—	—	—
<b>Total equity (B)</b> .....	<b>515,500</b>	<b>295,900</b>	—	—	<b>811,400</b>
<b>Total capitalization (A)+(B)</b> .....	<b>1,008,731</b>	<b>295,900</b>	<b>157,500</b>	<b>(173,600)</b>	<b>1,288,531</b>

(1) See Section 8.7 (Material Contracts) for a description of the security under the Company's loan agreements.

(2) Adjustment is attributed to the issuance of 172,938,947 shares at NOK 14.25 per share, which generated gross proceeds of approximately USD 300 million and net proceeds of approximately USD 295.9 million after costs of approximately USD 4.1 million. The net proceeds were used to pay the 30% downpayment to the Sellers which amounted to USD 275.4 million-. The remaining USD 20.5 million of the net proceeds was used to increase the Company's cash balance and hence made available as working capital for the Group.

(3) Adjustment is attributed to a sale and leaseback arrangement entered into after 30 June 2018.

(4) Adjustment is attributed to the repayment of the outstanding amounts under the MUSD 270 Facility, which amounted to USD 173.6 million.

## 10.2 Net Financial Indebtedness

As of 30 June 2018  
(Unaudited)

USD thousands

	As reported	Adjustment <sup>(1)</sup>	Adjustment <sup>(2)</sup>	Adjustment <sup>(3)</sup>	As Adjusted
A. Cash .....	77,584	20,600	157,500	(173,600)	82,084
B. Cash equivalent .....	—	—	—	—	—
C. Trading securities .....	—	—	—	—	—
<b>D. Liquidity (A)+(B)+(C) .....</b>	<b>77,584</b>	<b>20,600</b>	<b>157,500</b>	<b>(173,600)</b>	<b>82,084</b>
E. Current financial receivables .....	1,520	—	—	—	1,520
F. Current bank debt .....	14,438	—	—	—	14,438
G. Current portion of non-current debt .....	—	—	—	—	—
H. Other current financial debt .....	10,798	—	—	—	10,798
<b>I. Current financial debt (F)+(G)+(H) .....</b>	<b>25,236</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25,236</b>
<b>J. Net current financial indebtedness (I)-(E)-(D) .....</b>	<b>(53,868)</b>	<b>(20,600)</b>	<b>(157,500)</b>	<b>173,600</b>	<b>(58,368)</b>
K. Non-current bank debt .....	294,395	—	—	—	294,395
L. Bonds issued .....	—	—	—	—	—
M. Other non-current financial debt .....	173,600	—	157,500	(173,600)	157,500
<b>N. Non-current financial debt (K)+(L)+(M) .....</b>	<b>467,995</b>	<b>—</b>	<b>157,500</b>	<b>(173,600)</b>	<b>451,895</b>
<b>O. Net financial indebtedness (J)+(N) .....</b>	<b>414,127</b>	<b>(20,600)</b>	<b>—</b>	<b>—</b>	<b>393,527</b>

(1) Adjustment is attributed to (i) the issuance of 172,938,947 shares at NOK 14.25 per share, which generated gross proceeds of approximately USD 300 million and net proceeds of approximately USD 295.9 million after costs of approximately USD 4.1 million, and (ii) the payment of USD 275.4 million in respect of the first down payments on the Newbuildings, resulting in net proceeds of USD 20.5 million which was used to increase the Company's cash balance and hence made available as working capital for the Group.

(2) Adjustment is attributed to a sale and leaseback arrangement entered into after 30 June 2018.

(3) Adjustment is attributed to the repayment of the outstanding amounts under the MUSD 270 Facility, which amounted to USD 173.6 million.

Other than the Private Placement and the Transaction, there have been no significant changes to the Company's capitalisation and financial indebtedness since 31 December 2017.

### Indirect and Contingent Indebtedness

The Company did not have any indirect or contingent indebtedness as of 30 June 2018. Commitments are shown in Section 11.4 (*Investing Activities*).

## 11. FINANCIAL INFORMATION AND OTHER INFORMATION

The following selected financial information has been extracted from the Company's audited consolidated financial statements for the years ended 31 December 2017 and 2016 (the "**Financial Statements**") and the unaudited consolidated financial statements for the six month period ended 30 June 2018 (the "**Interim Financial Statements**"), all of which are attached to this Prospectus as Appendix A. The Group's annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group's interim financial statements for 2016 and 2017 have been prepared in accordance with IAS 34, and the interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with US GAAP. The adoption of US GAAP will have no material impact on the Group's financial statements, nor on comparative figures for Q3 2018, or year end 2017 or 2016 as further set out in Section 4.2. Given the simplicity of the historical accounts, and since US GAAP is considered to be an accounting principle equivalent to IFRS, no historical financial information has been restated in this prospectus.

The following discussion contains Forward-looking statements that reflect the Company's plans and estimates. Factors that could cause or contribute to differences to these Forward-looking Statements include those discussed in Section 2 (Risk Factors), see also Section 4.1 (Cautionary Note Regarding Forward-Looking Statements).

### 11.1 Liquidity and Capital Resources

#### Overview; Sources and Uses of Funds

The Company's debt sources as the date hereof is the MUSD 270 Facility as further described in Section 12 (*Related Party Transactions*). See Section 12 for more information.

The Group monitors its risk to a shortage of funds using a cash modelling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations. Historically funds have been raised via equity issuance and loan finance. Market conditions can have a significant impact on the ability to raise equity and loan finance, while new equity financing may be dilutive to existing shareholders and loan finance which will contain covenant and other restrictions. The Company had per 30 June 2018 cash and cash equivalents in the balance sheet and cash flow statement of USD 77,584,000. For an overview of the sources of cash see Section 8.7 (*Material Contracts*).

#### Borrowings:

The Group's principal contractual obligations consist of its obligations in respect of financial indebtedness that is owed under the MUSD 315 Term Loan Facility and (if utilised) under the MUSD 270 Facility. For a description of the existing loan arrangements of the Group, see Section 8.7 "*Material Contracts*".

#### Maturity Overview:

The table below shows the main borrowings of the Company at the date of this Prospectus, based on the agreements in place as at that date.

USD million	Total amount	Payments Due by Period			
		2018 (remaining period)	2019	2020	>2021
Loan repayments .....	468	1	24	25	418
Newbuildings .....	582	—	288	294	—
<b>Total at the date of this Prospectus .....</b>	<b>1,050</b>	<b>1.3</b>	<b>312</b>	<b>319</b>	<b>418</b>

(1) The loan repayments comprise repayments under the MUSD 315 Term Loan Facility and the Rainbow Sale and Leaseback, excluding however interest as this will fluctuate (LIBOR). Please see section 8.7 - "*Material Contracts*" for a description of the relevant financing agreements.

(2) As the remaining newbuildings are acquired on Norwegian Sales From (NSF) basis, remaining capex for newbuilding includes building supervision, but excludes future change requests, sundry buyers' suppliers, fit out, studies and lube oils.

## 11.2 Cash Flow Information

### *Operating Cash Flows*

Net cash flow used in operating activities was USD 5,447,000 for the six months ended 30 June 2018 and net cash flow used by operating activities was USD 11,708,000 for the six months ended 30 June 2017. The difference was primarily due to decreased net loss before tax, positive working capital adjustments and positive other non-cash items.

Net cash flow used in operating activities was USD 17,723,000 for the year ended 31 December 2017 and net cash flow used by operating activities was USD 1,079,000 for the year ended 31 December 2016. The difference was primarily due to increased net loss before tax.

Net cash flow used in operating activities was USD 1,079,000 for the year ended 31 December 2016 and net cash flow used by operating activities was USD 2,809,000 for the year ended 31 December 2015. The difference was primarily due to a lower loss before tax and movements in working capital.

### *Investing Cash Flows*

Net cash flow used in investing activities was USD 263,439,000 for the six months ended 30 June 2018 and the cash flow used in investing activities was USD 74,965,000 for the six months ended 30 June 2017. The difference was primarily due to final instalment payment on new build assets.

Net cash flow used in investing activities was USD 77,714,000 for the year ended 31 December 2017 and net cash flow used in investing activities was USD 1,204,000 for the year ended 31 December 2016. The difference was primarily due to advanced payment on new build assets.

Net cash flow provided in investing activities was USD 1,204,000 for the year ended 31 December 2016 and net cash flow used in investing activities was USD 208,000 for the year ended 31 December 2015. The difference was primarily due to increased supervision and construction activity on the two Samsung vessels

### *Financing Cash Flows*

Net cash inflow in financing activities was USD 325,615,000 for the six months ended 30 June 2018 and net cash flow provided by financing activities was USD 103,988,000 for the six months ended 30 June 2017. The difference was primarily due to net proceeds from issuing new debt of USD 428,688,000 and repayment of debt of USD 102,625,000.

Net cash inflow in financing activities was USD 103,959,000 for the year ended 31 December 2017 and net cash flow provided by financing activities was USD nil for the year ended 31 December 2016. The difference was primarily due to net proceeds from issuing share capital of USD 220,988,000 and repayment of debt of USD 117,000,000.

Net cash flow used in financing activities was USD nil for the year ended 31 December 2016 and net cash flow provided by financing activities was USD 8,000 for the year ended 31 December 2015. The difference was primarily due to no shares being issued in the year.

### *2018 update:*

The main changes since 30 June 2018 are as follows: The receipt of the USD 300 million Private Placement proceeds, the USD 274.5 million Downpayments on the Newbuildings and the payments of the fund raising cost of approximately USD 4.1 million. The MUSD 270 Facility was repaid on 13 July 2018, and the Company therefore has 270 million available under this facility until the end of its term.

Other than the above, there has been no significant change in the financial or trading position of the Group since 30 June 2018.

## 11.3 Working Capital Statement

As of the date of this Prospectus, the Company is of the opinion that it does not have sufficient working capital for its planned capital expenditures for the next 12 months (take-out instalments for Flex Constellation and Flex Courageous to the yard, in aggregate amounting to USD 288 million). The Company has available USD 270 million pursuant to the MUSD 270 Facility, but will hence have a cash shortfall of USD 18 million unless it receives sufficient cash from its operations. Unless additional capital is obtained, the Company may therefore not have sufficient capital to pay the take-out instalment for Flex Courageous which is scheduled for delivery in Q3 2019. The Company intends to finance such potential shortfall by way of debt financing or through sale-and-leaseback arrangements.

In addition to the sources of capital mentioned above there are other alternatives such as additional equity to be raised through private placements to potential investors and issuance of unsecured bonds. These alternatives will be viable should the Company not be able to secure bank loans to fund the deficit at delivery of the respective vessels. Further, as a general view, the Company, backed by its largest shareholder and the high level of paid in equity, is confident that it will secure any funding shortfall it needs both for committed capex and further growth through new equity, debt or a combination of these. Should all available alternatives fail the result will be that the Company will end up in default on the payments to the yards, which can potentially result in claims from the yards for the outstanding payments.

## 11.4 Investing Activities

### *Past investing activities:*

The Company's principal investments since its incorporation, is related to the acquisition of its vessels, including the Newbuildings. In 2017, the Group capitalised USD 382.5 million (2016: USD 1.2 million) with regard to newbuildings, with USD 376 million (2016: nil) relating to instalment payments and USD 6.5 million (2016: USD 1.2 million) was capitalised for interest expense, supervision and other costs. Capitalised interest is calculated as a percentage of the capitalised cost against the total costs funded by the working capital loan in the period. In determining the carrying amounts for historically capitalised costs, management will make assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalised costs. The most significant impact on the estimations is related to the expected future rates. Material decreases in future rates will impact the valuation and lead to impairment. Hence the carrying amounts are highly dependent on expected future rates.

### *Current investment activities:*

On 28 May 2018, the Group entered into an agreement to acquire two 174,000 CBM LNGC newbuildings fitted with low pressure two stroke engines (X-DF) under construction at HHI for the purchase price of USD 184 million per vessel which includes building supervision. Payment terms are favorable with 20 per cent due following signing of the purchase agreement with remaining 80 per cent payable at delivery. Seller is funding part of pre-delivery capex which illustrates commitment and support of the largest shareholder.

On 10 October 2018, the Group entered into an agreement for the acquisition of the five Newbuildings, from affiliate of Geveran, the Company's largest shareholder. For a more detailed description of this Transaction, please see section 7 (*The Transaction*). In connection with the Transaction, the Company conducted a private placement of new ordinary shares for gross proceeds of approximately USD 300,000,000. The Private Placement was successfully placed, through the placing of 172,938,947 new shares at a subscription price of NOK 14.25 per share. For a more detailed description of the Private Placement, please see section 5 (*The Private Placement*).

### *Table - capital expenditures:*

The table below sets forth a summary of the capital expenditures done by the Company in 2017, 2016 and investments done by the Company up to the date of this Prospectus in 2018:

USD thousand (unaudited)

	Per the date of this Prospectus	Year ended 31 December	
	2018	2017	2016
Two 174,000 m3 MEGI LNGCs <sup>(1)</sup> .....	213,840	—	—
Two 173,400 m3 MEGI LNGCs <sup>(2)</sup> .....	20,360	376,000	—
Two DSME Newbuildings .....	72,000	—	—
Two HHI Newbuildings .....	73,600	—	—
Three high end DSME Newbuildings .....	167,400	—	—
Two high end HHI Newbuildings .....	108,000	—	—
Capitalised costs <sup>(3)</sup> .....	3,823	6,465	1,202
<b>Total</b> .....	<b>659,023</b>	<b>382,465</b>	<b>1,202</b>

(1) The payments made to SHI were made in 2013, and is thus not shown in this table (which only shows the investments made in the current year 2016 and 2017.

(2) Following the acquisition of FLEX Endeavour and FLEX Enterprise they have been valued at cost based on the value of the consideration shares and the MUSD 270 Facility.

(3) Capitalized costs in 2017 include transaction costs related to the two vessels acquired in 2017 and capitalised costs in 2018 related to the vessels acquired in 2018.

### Future Capital commitments:

#### Capital Commitments to DSME and HHI

USD 275,400,000 (USD 55.8 million per DSME Vessel and USD 54 million per HHI Vessel) has been paid to cover the first instalments for the five Newbuildings. The remaining instalments will be due on delivery of the vessels (USD 642,600,000), prior to any amounts for any further design change requests, sundry buyer's supplies and other delivery items. Delivery is scheduled for 2020 and 2021.

#### Capital Commitments to Constellation Inc. and Courageous Inc.

The Company has paid 20% of the contract price, and the remaining 80% of the contract price is due at delivery in Q2 and Q3 2019 for the respective vessels, the exact amount being USD 288,000,000.

#### Total capital commitments

#### Capex Commitments

USD million (unaudited)

	Total Yard Price	Paid in up to the date of this Prospectus	2019			2020	2021
			Q2	Q3	Q4	2020	2021
DSME HN 2470, LNGC .....	180.00	36.00	144.00				
DSME HN 2471, LNGC .....	180.00	36.00		144.00			
HHI HN 8010, LNGC .....	184.00	36.80				147.20	
HHI HN 8011, LNGC .....	184.00	36.80				147.20	
DSME .....	186.00	55.80				130.20	
DSME .....	186.00	55.80				130.20	
DSME .....	186.00	55.80				130.20	
HHI .....	180.00	54.00					126.00
HHI .....	180.00	54.00					126.00
<b>Total .....</b>	<b>1,646.00</b>	<b>421.00</b>	<b>144.00</b>	<b>144.00</b>		<b>685.00</b>	<b>252.00</b>

#### Funding of the Capital Commitments

At the end of 2018 the Company's expected cash balance plus the MUSD 270 available on the MUSD 270 Facility, will not be sufficient to cover the instalment due in Q1 and Q2 2019. However, given the current high level of paid in equity and the support of its main shareholder the Company expects that bank debt finance will be raised when the vessels are delivered from the yards, to cover the shortfall. Please also see Section 11.3 (*Working Capital Statement*). The Company will also consider entering into a sale- and leaseback arrangement for one or two of the vessels that will be delivered to the Company in 2019 in order to cover the potential cash shortfall.

#### Environmental issues that may affect the Company's utilisation of tangible fixed assets

The Company's vessels will be subject to environmental regulations, such as Emission Control Areas and global IMO regulations on sulphur content in fuel coming into effect in 2020. Given the modern nature of the vessels under construction, the Company expects to meet these requirements. In addition the Company will introduce an appropriate safety management system covering instructions and procedures which contribute to the highest safety standards on-board its ships, ensuring that cargo is handled correctly and preventing situations which threaten safety of our personnel. The safety management system will be based on national and international requirements and standards for quality and safety.

#### Significant Recent Trends

There are no recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of this Prospectus. The Company is not aware of any information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the year 2018.

## 11.5 Selected Consolidated Income Statement Information

The table below sets out a summary of financial information of the Group's consolidated income statement. The information is derived from audited financial information for the years ended 31 December 2017, 2016 and the three and six months ended 30 June 2018.

<i>USD thousands</i>	For the three month period ending 30 June 2018 <u>(unaudited US GAAP)</u>	For the three month period ending 30 June 2017 <u>(unaudited IFRS)</u>	For the six month period ending 30 June 2018 <u>(unaudited US GAAP)</u>	For the six month period ending 30 June 2017 <u>(unaudited IFRS)</u>	For the year ending 31 December 2017 <u>(unaudited IFRS)</u>	For the year ending 31 December 2016 <u>(unaudited IFRS)</u>
Vessel operating revenues .....	7,048	8,012	22,100	9,710	27,329	—
Vessel operating costs .....	(3,108)	(14,444)	(15,017)	(17,744)	(36,532)	—
Administrative expenses .....	(929)	(996)	(1,726)	(1,769)	(3,409)	(1,483)
<b>Operating income (loss) before depreciation.....</b>	<b>3,011</b>	<b>(7,428)</b>	<b>5,357</b>	<b>(9,803)</b>	<b>(12,612)</b>	<b>(1,483)</b>
Depreciation .....	(2,753)	—	(5,063)	1	(2)	(2)
<b>Operating income (loss) .....</b>	<b>258</b>	<b>(7,428)</b>	<b>294</b>	<b>(9,802)</b>	<b>(12,614)</b>	<b>(1,485)</b>
Finance income .....	79	57	252	58	123	9
Finance cost .....	(3,174)	—	(5,145)	(234)	(234)	(314)
Other financial items .....	(20)	719	(36)	2,346	2,335	—
<b>Income (Loss) before tax.....</b>	<b>(2,857)</b>	<b>(6,652)</b>	<b>(4,635)</b>	<b>(7,632)</b>	<b>(10,391)</b>	<b>(1,790)</b>
Income tax (expense) credit .....	—	(5)	(2)	(9)	(17)	1
<b>Net income (Loss) .....</b>	<b>(2,857)</b>	<b>(6,657)</b>	<b>(4,633)</b>	<b>(7,641)</b>	<b>(10,408)</b>	<b>(1,789)</b>

## 11.6 Selected Statement of Financial Position Information

The table below sets out a summary of the Group's audited consolidated statement of financial position information. The information is derived from audited financial information as of 31 December 2017 and 2016 and unaudited consolidated statement of financial position information as of the six months period ended 30 June 2018.

	As of 30 June 2018 <u>(unaudited US GAAP)</u>	As of 31 December 2017 <u>(unaudited IFRS)</u>	As of 31 December 2016 <u>(unaudited IFRS)</u>
<b>Assets</b>			
<i>Non-current assets</i>			
New building assets and capitalised costs .....	173,845	594,937	212,472
Vessels and equipment .....	607,289	3	2
Vessel purchase prepayment .....	145,878	72,000	—
<b>Total non-current assets .....</b>	<b>927,012</b>	<b>666,940</b>	<b>212,474</b>
<i>Current assets</i>			
Inventory .....	2,615	1,041	—
Other current assets .....	1,520	6,568	220
Cash and cash equivalents .....	77,584	9,961	1,439
<b>Total current assets.....</b>	<b>81,719</b>	<b>17,570</b>	<b>1,659</b>
<b>Total assets .....</b>	<b>1,008,731</b>	<b>684,510</b>	<b>214,133</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital .....	3,680	3,680	1,279
Share premium .....	885,388	885,323	563,174
Other equity.....	(373,568)	(368,902)	(358,511)
<b>Total equity.....</b>	<b>515,500</b>	<b>520,101</b>	<b>205,942</b>
<i>Non-current liabilities</i>			
Other financial liabilities.....	467,995	160,000	7,000
<b>Total non-current liabilities .....</b>	<b>467,995</b>	<b>160,000</b>	<b>7,000</b>

	As of 30 June 2018 (unaudited <u>US</u> <u>GAAP</u> )	As of 31 December 2017 (unaudited IFRS)	As of 31 December 2016 (unaudited IFRS)
<i>Current liabilities</i>			
Accounts payable .....	122	76	46
Accruals and other payables .....	10,674	4,333	1,145
Short term portion of long-term debt	14,438	—	—
<b>Total current liabilities .....</b>	<b>25,236</b>	<b>4,409</b>	<b>1,191</b>
<b>Total liabilities .....</b>	<b>493,231</b>	<b>164,409</b>	<b>8,191</b>
<b>Total equity and liabilities .....</b>	<b>1,008,731</b>	<b>684,510</b>	<b>214,133</b>

## 11.7 Selected Changes in Equity Information

The table below sets out a summary of the Group's audited changes in equity information for the years ended 31 December 2017, 2016 and the unaudited six months ended 30 June 2017 and 2018.

### USD thousands

	Share Capital	Share Premium Reserve	Retained Earnings	Option, Warrant and Shares	Total to the Equity Owners of the Parent
<i>For the six months ended 30 June 2018</i>					
At 1 January 2018.....	3,680	885,323	(379,530)	10,628	520,101
Loss for the period .....	—	—	(4,633)	—	(4,633)
Other comprehensive income.....	—	—	—	—	—
Total comprehensive income .....	—	—	(4,633)	—	(4,633)
Shares issued .....	—	65	—	(33)	32
Share-based payment (shares).....	—	—	—	—	—
At 30 June 2018 .....	3,680	885,388	(384,163)	10,595	515,500
<i>For the six months ended 30 June 2017</i>					
At 1 January 2017.....	1,279	563,174	(369,122)	10,611	205,942
Loss for the period .....	—	—	(7,643)	—	(7,643)
Other comprehensive income.....	—	—	—	—	—
Total comprehensive income .....	—	—	(7,643)	—	(7,643)
Shares issued .....	2,401	326,724	—	(49)	329,075
Share issuance costs .....	—	(4,481)	—	—	(4,481)
Share-based payment (shares).....	—	—	—	50	50
At 30 June 2017 .....	3,680	885,417	(376,765)	10,612	522,944
<i>For the year ended 31 December 2017</i>					
At 1 January 2017.....	1,279	563,174	(369,122)	10,611	205,942
Loss for the period .....	—	—	(10,408)	—	(10,408)
Other comprehensive income.....	—	—	—	—	—
Total comprehensive income .....	—	—	(10,408)	—	(10,408)
Shares issued .....	2,401	326,773	—	(99)	329,075
Share issuance costs .....	—	(4,624)	—	—	(4,624)
Share-based payment (shares).....	—	—	—	116	116
At 31 December 2017 .....	3,680	885,323	(379,530)	10,628	520,101
<i>For the year ended 31 December 2016</i>					
At 1 January 2016.....	1,279	563,080	(367,333)	10,608	207,634
Loss for the period .....	—	—	(1,789)	—	(1,789)
Other comprehensive income.....	—	—	—	—	—
Total comprehensive income .....	—	—	(1,789)	—	(1,789)
Shares issued .....	—	94	—	(94)	—
Share-based payment (shares).....	—	—	—	97	97
At 31 December 2016 .....	1,279	563,174	(369,122)	10,611	205,942

## 11.8 Selected Cash Flow Information

The tables below sets out a summary of the Group's consolidated cash flow. The information is derived from audited financial information for years ending 31 December 2016 and 31 December 2017, and the unaudited consolidated balance sheet information for the first half of 2018 and 2017.

<i>USD thousands</i>	For the three month period ended 30 June 2018 (unaudited US GAAP)	For the three month period ended 30 June 2017 (unaudited IFRS)	For the six month period ended 30 June 2018 (unaudited US GAAP)	For the six month period ended 30 June 2017 (unaudited IFRS)
(Loss) before tax .....	(2,857)	(6,652)	(4,635)	(7,632)
Working Capital Adjustments .....	6,872	836	4,969	(1,784)
Other non-cash items .....	2,790	(903)	5,113	(2,292)
Net Cash flow from operating activities.....	<b>6,805</b>	<b>(6,719)</b>	<b>5,447</b>	<b>(11,708)</b>
Newbuilding capex .....	(110,187)	(1,904)	(189,839)	(2,965)
Advance payment for new build assets.....	(73,600)	(72,000)	(73,600)	(72,000)
Net cash flow used in investing activities.....	<b>(183,787)</b>	<b>(73,904)</b>	<b>(263,439)</b>	<b>(74,965)</b>
Net proceeds from issue of share capital .....	—	124,570	—	220,988
Net proceeds from issuance of debt .....	218,688	—	428,688	—
Repayment of debt.....	(2,625)	(40,000)	(102,625)	(117,000)
Other .....	(480)	—	(448)	—
Net cash flow from financing activities .....	<b>215,583</b>	<b>84,570</b>	<b>325,615</b>	<b>103,988</b>
Net cash flow .....	38,601	3,947	67,623	17,315
Cash balance at beginning of period.....	38,983	14,807	9,961	1,439
Cash balance at end of period.....	<b>77,584</b>	<b>18,754</b>	<b>77,854</b>	<b>18,754</b>

<i>USD thousands</i>	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
<i>Cash flow from operating activities</i>		
(Loss) before tax .....	(10,391)	(1,790)
<i>Adjustment to reconcile loss before tax to net cash flow</i>		
<i>Non cash:</i>		
Finance income .....	(123)	(9)
Finance expense .....	234	314
Share based payment expense.....	115	97
Depreciation .....	2	2
(Loss) / profit on asset disposal .....	—	1
Foreign exchange.....	(2,462)	—
<i>Working capital adjustments:</i>		
Decrease / (increase) in prepayments .....	(5,908)	1
Decrease / (increase) in inventories.....	(1,041)	—
Decrease / (increase) in trade and other receivables.....	(639)	204
(Decrease) / increase in trade and other payables.....	272	579
(Decrease) / increase in accrued expenses.....	(492)	—
(Decrease) / increase in other current liabilities .....	2,653	—
	<b>(17,780)</b>	<b>(601)</b>
Income taxes paid .....	(5)	(1)
Interest received .....	123	9
Interest paid .....	(61)	(486)

<i>USD thousands</i>	For the year ending 31 December 2017 (audited IFRS)	For the year ending 31 December 2016 (audited IFRS)
<b>Net cash flow from operating activities</b> .....	<b>(17,723)</b>	<b>(1,079)</b>
<i>Cash flow from investing activities</i>		
Purchase of plant and equipment .....	(4)	(2)
Advance payment on new build assets .....	(72,000)	—
Payment on new building assets and capitalised expenditure .....	(5,710)	(1,202)
<b>Net cash flow used in investing activities</b> .....	<b>(77,714)</b>	<b>(1,204)</b>
<i>Cash flows from financing activities</i>		
Net proceeds from issue of share capital .....	220,988	—
Net proceeds from issue of debt .....	—	—
Repayment of debt .....	(117,000)	—
Other .....	(29)	—
<b>Net cash flow from financing activities</b> .....	<b>103,959</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<b>8,522</b>	<b>(2,283)</b>
<b>Cash and cash equivalents at beginning of period</b> .....	<b>1,439</b>	<b>3,722</b>
<b>Cash and cash equivalents at end of period</b> .....	<b>9,961</b>	<b>1,439</b>

## 11.9 Other Selected Financial and Operating Information

The table below sets out certain other unaudited key financial and operating information for the Group on a consolidated basis.

<i>USD thousands, except ratios</i>	As of or for the Year Ended 31 December 2017 Unaudited	As of or for the Year Ended 31 December 2016 Unaudited
EBITDA <sup>(1)</sup> .....	(12,612)	(1,483)
NIBD <sup>(2)</sup> .....	150,039	5,561
Equity ratio <sup>(3)</sup> .....	75.98%	96%
Debt-to-equity ratio <sup>(4)</sup> .....	31.61%	4%
Interest coverage ratio <sup>(5)</sup> .....	(113.6)	(4.9)

<sup>(1)</sup> The Company defines EBITDA as net income from continuing operations before tax, depreciation, net interest expense, amortization of debt issue expenses and vessel impairment loss and impairment losses on marketable securities and investment in associated company.

Table to reconcile EBITDA figures:

	As of or for the Year Ended 31 December 2017 Unaudited	As of or for the Year Ended 31 December 2016 Unaudited
Operating loss .....	(12,614)	(1,485)
Depreciation .....	2	2
EBITDA .....	(12,614)	(1,483)

<sup>(2)</sup> Net interest bearing debt, which is interest bearing debt less cash and cash equivalents and restricted cash.

<sup>(3)</sup> Total shareholders' equity divided by total assets, multiplied by 100.

<sup>(4)</sup> Total liabilities to shareholders equity.

<sup>(5)</sup> EBIT divided by net interest expense.

### 11.10 Financial effects of the Transaction and pro forma financial information

The Transaction exceeds the 25% threshold of the total balance of the Group - defined as a significant transaction according to the ESMA recommendation for preparation of prospectus (item 52), thereby generally triggering the need for pro forma financial information. However, as the Transaction involves the acquisition of assets (vessels under construction) only, and not acquisition of shares of the selling entities, any historical information in relation to these assets will not reflect any commercial activities, and such financial statements are therefore considered not relevant for pro forma purposes. Therefore, pro forma information prepared in accordance with Annex II to EU Regulation No. 809/2004 as incorporated in Norwegian law through section 7-13 of the Norwegian Securities Trading Act would not provide a fair description of the Transaction. On this basis, no pro forma financial information has been prepared. See Section 7 (The Transaction) for further information on the Transaction.

The Transaction will be accounted for as an acquisition of assets, which do not constitute a business. Consequently, the assets will be recorded at costs and related transaction costs are capitalized. Under the Transaction, the Downpayments will be recorded as newbuilding under non-current assets. The Newbuildings will be acquired at the delivery from DSME and HHI in 2020/2021, when title will be transferred to the Group.

*The estimated effects of the Transaction on the Company's financial statements at the date of the Transaction<sup>1</sup>, are set out in the table below:*

*In USD*

*Increase/(decrease)*

	Cash	Newbuildings (non-current assets)	Share capital and Share premium
The Private Placement .....	(300,000,000)		300,000,000
The Downpayments for the five Newbuildings .....	(275,400,000)	275,400,000	

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<sup>1</sup> Meaning the date of the downpayments in the Transaction

## 12. RELATED PARTY TRANSACTIONS

*This Section provides information about certain transactions which the Group is, or has been, subject to with its related parties during the two years ended on 31 December 2017 and 31 December 2016 and up to the date of this Prospectus. For the purposes of the following disclosures of related party transactions, "related parties" are those that are considered as related parties of the Company pursuant to IAS 24 "Related Party Disclosures" for year end 2016 and 2017 and USGAAP ASCASC 850 – "Related Party Disclosures" for the six months ended 30 June 2018.*

### **MUSD 270 Facility**

The MUSD 270 Facility is entered into with Sterna Finance, which is an affiliated company of Gevevan, the Company's largest shareholder. The MUSD 270 Facility is structured with flexibility to draw and repay at Company's discretion (as the Company sees fit from time to time), has a 1.00% p.a. fixed interest until delivery of the first of the vessels from DSME, and a LIBOR + 300 bps interest from delivery and final maturity date 3 years from delivery of the first vessel.. At the receipt of the proceeds from the first of the 2017 Private Placements, the Company repaid approximately MUSD 70 of the facility. The Company has guaranteed all obligations of the borrower, FLEX LNG Fleet Limited, under the MUSD 270 Facility Agreement. The MUSD 270 Facility was repaid on 13 July 2018, and the Company therefore has 270 million available under this facility until the end of its term.

### **General Management Agreement**

The Company does not have any employees. The Group currently has six (6) employees. A contract for management services has been entered into between the Company, FLEX LNG Management Limited and Flex LNG Management AS. According to this agreement, FLEX LNG Management Limited renders services to the Group relating to general administration and contract management. FLEX LNG Management Limited is entitled to compensation covering its expenses plus a mark-up. FLEX LNG Management Limited uses office space and accounting support from companies affiliated to Gevevan. Total compensation paid to FLEX LNG Management Limited was approximately USD 2.5 million for the year ended 31 December 2017 and approximately USD 1.1 million for the year ended 31 December 2016. For the first six months of 2018, the total compensation paid to FLEX LNG Management Limited and Flex LNG Management AS was USD 1.8 million. FLEX LNG Management Limited and Flex LNG Management AS are wholly owned by the Company, see Section 8.3 (*Legal Structure*).

### **Ship Management Agreements**

Each of the ship-owning Group entities has entered into an agreement with Frontline for the management and supervision of the LNGC newbuilds owned by the Group, with effect from delivery of the vessels. The services to be provided by Frontline include technical management of the vessels, purchase of goods and services within the ordinary course of business and other services of an administrative nature. Frontline is entitled to sub-contract any of the services to be provided under the agreement to Frontline Management AS or other associated companies. Frontline will provide quarterly invoices for services rendered and in addition receive a monthly payment of USD 2,772 for technical supervision. Each of the parties may terminate the contract on three months' notice. The fee is subject to annual review.

### **Supervision Management Agreements**

The respective ship-owning Group entities entered into contracts pursuant to which Frontline provided newbuilding supervision services in respect of two vessels that were under construction at SHI (FLEX Ranger and FLEX Rainbow) and two vessels that were under construction at DSME (FLEX Enterprise and FLEX Endeavour). In consideration for the services, Frontline received a monthly fee of USD 115,745. These agreements terminated on the last day of the month in which the respective vessel was delivered to the Company.

### **Acquisition of two LNG carriers from Gevevan**

The Company is party to agreements with an affiliate of Gevevan to acquire two 174,000m<sup>3</sup> X-DF LNGC newbuildings under construction at HHI (to be named Flex Aurora and Flex Amber) for USD 184,000,000 each, which includes building supervision. The vessels are scheduled for delivery in 2020. The Company has made advance payments of USD 73.6 million which are recorded as vessel purchase prepayments as the seller continues to hold the shipbuilding contract with the yard and is responsible for the supervision of the vessels' construction, with title transferring to the Company at the date of delivery.

### **The Indemnity Agreement:**

In connection with the 2017 Transactions, the Company entered an indemnity agreement with Seatankers whereby Company agreed to indemnify Seatankers in respect of any amounts which Seatankers may pay to DSME under the Seatankers Guarantees against an annual guarantee fee of USD 200,000 (the “**Indemnity Agreement**”). This agreement was terminated in connection with delivery of FLEX Enterprise and FLEX Endeavour.

#### **Memorandums of Agreement for acquisition of the Newbuildings**

On 11 October 2018, the Buyers entered into the MoAs with the Sellers regarding the acquisition of the five Newbuildings from the Sellers. The purchase price is USD 180,000,000 per Newbuilding (plus, in respect of each DSME Vessel, USD 6,000,000 for a full reliquefaction system (Burckhardt basis)). The Downpayments are payable within three (3) days from the receipt of the proceeds from the Private Placement and the remaining part of the contract price is payable upon delivery of the respective Newbuilding. The delivery of each Newbuilding from its Seller to the respective Buyer shall take place simultaneously with the delivery of the Newbuildings from the relevant yard to the Sellers under the relevant shipbuilding contract. Delivery is expected in 2020 and 2021. The Company will guarantee the payment obligations of the Buyers pursuant to five PCGs and Blue Sea Navigation Holding Inc. will guarantee the repayment obligation of the Sellers of the Downpayment in the event that the MoAs are cancelled or terminated, pursuant to five CRGs. The Sellers will be responsible for the supervision of the Newbuildings until they have been delivered to the Buyers, and the Group will therefore not enter into any supervision management agreements in respect of the Newbuildings.

For a more detailed description of the Transaction, please see Section 7 (*The Transaction*). The Transaction was supported by fairness opinions from Fearnley Securities AS and was on arm’s length terms.

## 13. THE BOARD OF DIRECTORS AND MANAGEMENT

*This Section provides summary information about the Board of Directors and the executive management of the Company and disclosures about their employment arrangements with the Company and other relations with the Group, summary information about the certain other corporate bodies and the governance of the Company, as well as employee data.*

### 13.1 Overview

The Board of Directors is responsible for the overall management of the Company and may exercise all the powers of the Company. In accordance with Bermuda law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business; ensuring proper organisation, preparing plans and budgets for its activities; ensuring that the Company's activities, accounts and asset management are subject to adequate controls and to undertake investigations necessary to ensure compliance with its duties. The Board of Directors may delegate such matters as it seems fit to the executive management of the Company (the “**Executive Management**”).

The Company's Executive Management is responsible for the day-to-day management of the Company's operations in accordance with instructions set out by the Board of Directors. Among other responsibilities, the Company's CEO is responsible for keeping the Company's accounts in accordance with applicable legislation and regulations and for managing the Company's assets in a responsible manner.

### 13.2 Board of Directors and Management

#### Board of Directors

The Company's Board of Directors currently consists of the following members:

Name	Position	Served Since	Expiry of Term
David McManus	Chairman	August 2011	2019 AGM
Marius Hermansen	Director	December 2015	2019 AGM
Georgina E. Sousa	Director	May 2017	2019 AGM
Nikolai Grigoriev	Director	May 2017	2019 AGM
Ola Lorentzon	Director	June 2017	2019 AGM

The Company's registered business address, Par la Ville Place, 14 Par la Ville Road, Hamilton, HM08, Bermuda, serves as c/o address for the members of the Board of Directors in relation to their directorship of the Company.

Set out below are brief biographies of the directors of the Company, along with disclosures about the companies and partnerships of which each director has been member of the administrative, management and supervisory bodies in the previous five years, not including directorships and executive management positions in the Company or its subsidiaries.

#### **David McManus, Chairman**

David McManus has served on the Board since August 2011, and was elected as chairperson in September 2011. He is an experienced international business leader in the Energy Sector, with strong technical and commercial skills and has previously served as Executive Vice President and Head of International Operations for Pioneer Natural Resources. He is currently serving as non-executive director for a number of listed companies, namely; Hess Corporation, a large NYSE listed oil and gas company with upstream operations in North America, Europe, Africa and Asia; Rockhopper Exploration plc, a UK AIM listed exploration company with assets in the Falkland Islands; and Costain plc, one of the UK's leading engineering solutions providers. Mr. McManus was previously Chairman of Cape plc, an energy service company, which has been involved as a contractor in more than 50% of the world's LNG facilities, including Sakhalin, RasGas, Qatargas, Damietta, Idku, North West Shelf, Pluto and Arzew. He has 39 years of experience in Technical, Commercial, Business Development, General Management and Executive roles across all aspects of the international oil and gas business, including; BG Group, ARCO, Ultramar, Shell and Fluor Corporation. Mr. McManus is a graduate of Heriot-Watt University, Edinburgh.

Current other directorships and management positions .....

Directorships:

Hess Corporation - Director

Rockhopper Exploration plc - Director

Costain plc - Director

Management position(s): —

Previous directorships and management  
positions held during the last five years ..... Directorships:  
Cape plc - Chairman

Management positions:

Pioneer Natural Resources - Executive Vice President and Head of  
International Operations

**Marius Hermansen, Director**

Mr. Hermansen has served as a Director of the Company since December 2015. Mr. Hermansen works for the Seatankers Group, heading Sale and Purchase/Newbuildings for the Group companies. He was previously employed by Fearnleys for over 10 years and prior to that he was a trainee with AP Moller-Maersk. Mr. Hermansen currently serves as a director and chairman of the board of Avance Gas Holding Ltd. He was educated at the Norwegian School of Economics (NHH).

Current other directorships and management  
positions ..... Directorships:

Avance Gas Holdings - Chairman

Management position(s): S&P/Projects, Seatankers

Previous directorships and management  
positions held during the last five years ..... None

**Mrs. Georgina E. Sousa, Director**

Mrs. Sousa was appointed to the Board of the Company in June 2017. She is currently a director and the secretary of Frontline Ltd., ("Frontline") a Bermuda company listed on the New York and Oslo Stock Exchanges and has been employed as Head of Corporate Administration by Frontline since January 2007. Ms. Sousa is also a director and Secretary of Northern Drilling Ltd., and Sevan Drilling Limited (In Liquidation), both Bermuda companies listed on the Oslo Stock Exchange. Ms. Sousa served as a director of Seadrill Limited from November 2015 until June 2018, North Atlantic Drilling Ltd., from September 2013 until September 2016, and Ship Finance International Limited ("SFL") from May 2015 until September 2016. Ms. Sousa served as a director of Golden Ocean's predecessor (Knightsbridge Shipping Limited") from April 2013 to March 2015 and as a director of Golar LNG Limited from 2005 to 2015. She currently serves as Secretary of Golden Ocean, Seadrill, SFL and Archer Limited. Prior to joining the Company, Mrs. Sousa was Vice-President - Corporate Services of Consolidated Services Limited, a Bermuda Management Company, having joined the firm in 1993 as Manager, Corporate Administration. From 1976 to 1982 she was employed by the Bermuda law firm of Appleby, Spurling & Kempe (now Appleby) as a Company Secretary and from 1982 to 1993 she was employed by the Bermuda law firm of Cox & Wilkinson (now Cox, Hallett & Wilkinson) as Senior Company Secretary.

Current other directorships and management  
positions ..... Directorships:  
Frontline Ltd. - Director  
FLEX LNG LTD. - Director  
Sevan Drilling Limited - Director  
Seadrill Limited - Director  
Northern Drilling Limited - Director

Management position(s): —

Previous directorships and management  
positions held during the last five years ..... Directorships:  
Golden Ocean Group Limited - Director  
Golar LNG Limited - Director  
North Atlantic Drilling Ltd. - Director  
Ship Finance International Limited - Director.

Management position(s): —

**Mr. Ola Lorentzon, Director**

Mr. Lorentzon has served as a Director of the Company since June 2017. Mr. Lorentzon has also served as a director of Frontline Ltd., since May 2015 and he is a director and chairman of Golden Ocean Group Limited (formerly "Knightsbridge Shipping Limited") since 1996. Mr. Lorentzon was the Managing Director of Frontline Management AS, a subsidiary of Frontline Ltd., from April 2000 until September 2003. He is also a director of Erik Thun AB.

Current other directorships and management

positions .....Directorships:  
Golden Ocean Group Limited - Chairman  
Erik Thun AB - Director  
Frontline Ltd. - Director

Management position(s): –

Previous directorships and management

positions held during the last five years ..... Directorships: –

Management position(s):

Golden Ocean Group Limited - Principal Executive Officer

**Mr. Nikolai Grigoriev, Director**

Mr. Grigoriev was appointed to the Board of the Company in September 2017. He is an independent shipping consultant with 20 years of experience in shipping and energy. From 2008 - 2016 he was Managing Director, Shipping in Gazprom Marketing & Trading Ltd., (a wholly-owned subsidiary of PAO Gazprom) in Singapore and London. From 2003 - 2008 Mr. Grigoriev worked for BG Group in senior LNG shipping, commercial and corporate finance roles in Houston and Reading and from 2001 - 2003 he was employed by Merrill Lynch, London in debt capital markets. Mr. Grigoriev started his career in 1997 working for KIL Shipping A/S (Denmark) as a navigation officer on chemical and gas tankers. He holds a B.Sc. in Navigation from Admiral Makarov State Maritime Academy (St. Petersburg, Russia) and an M.B.A. from INSEAD.

Current other directorships and management

positions ..... None

Previous directorships and management

positions held during the last five years ..... Directorships: –

Management position(s): Gazprom Marketing & Trading - Managing Director

**Management and staff**

The Company's current management team comprises of Øystein Kalleklev and H. Marius Foss. As of January 2019, Harald Gurvin is expected to join the Group as CFO.

**Mr. Øystein Kalleklev, Chief Executive Officer and Chief Financial Officer:**

Mr. Kalleklev joined the Group in October 2017, after serving as CFO of Knutsen NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015-2017. Previous roles include CFO of industrial investment company Umoe Group, Managing Director of Umoe Invest, Partner of investment bank Clarksons Platou and Business Consultant at Accenture. Mr. Kalleklev holds an MSc in Business and Administration from Norwegian School of Economics and a Bachelor in Business and Finance from Heriot-Watt University. Mr. Kalleklev was appointed CEO of the Company in August 2018. Mr. Kalleklev will act as the Group's CFO until January 2019, when Harald Gurvin (please see below) is expected to join the Group.

Current other directorships and management Directorships:

positions .....Flex LNG Management AS - Chairman

Management Position(s): –

Previous directorships and management Directorships:  
positions held during the last five years .....General Partner of MLP KNOT Offshore Partners - Chairman

Management Position(s):  
Knutsen NYK Offshore Tankers - Chief Financial Officer  
Umoe Group - Chief Financial Officer

**Mr. H. Marius Foss, Head of Commerical:**

Mr. Foss previously served as Senior Vice President Head of Shipping Golar Management Ltd at Golar LNG. Prior to Golar, Mr. Foss was Chartering Manager of Frontline Management AS, the tanker arm of John Fredriksen's group. Mr. Foss brings over 25 years of shipping experience to the Group, having acted for various brokers and owners in the oil and gas business. Mr. Foss joined the Group in August 2018.

Current other directorships and management  
positions ..... None

Previous directorships and management  
positions held during the last five years ..... None

**Mr. Harald Gurvin, Chief Financial Officer (as of 1 January 2019):**

Mr. Gurvin was appointed CFO of the Group 1 November 2018, and is expected to join the Group in January 2019. He has served as Chief Financial Officer of NYSE listed Ship Finance International Limited ("Ship Finance") since March 2012. From 2008 until 2012, Mr. Gurvin served as Senior Vice President at Ship Finance. Prior to joining Ship Finance in 2006, he spent seven years with the global shipping group of Fortis Bank in Oslo, focusing on shipping and offshore finance. Mr. Gurvin holds a Master of Science degree in Shipping, Trade and Finance from CASS Business School and a Master of Science degree in Marine Engineering and Naval Architecture from the Norwegian University of Science and Technology.

Current other directorships and management  
positions .....Directorship(s): Ship Finance International Limited and its ship-owning subsidiaries (until January 2019, when he will join the Group) - Director  
Gurvinvest AS - Director  
West Coast Brokers AS - Director

Management position(s): Ship Finance International Limited - CFO (until January 2019, when he will join the Group)

Previous directorships and management  
positions held during the last five years ..... As is customary in the industry in which the Group operates, Mr. Gurvin has been a director of all ship-owning entities in Ship Finance International Limited that have existed over the previous five years. Some of these entities were closed once the associated vessels were no longer held in the corporate group.

### 13.3 Disclosure of Conflicts of Interest

Marius Hermansen, currently serving as a director of the Board of Directors in the Company is considered an Affiliate of Geveran. As such, he may have interests in the Transaction that may be different from, or are in addition to, the interests of the other shareholders of the Company.

Directors Georgina E. Sousa and Ola Lorentzon also serves on the boards of one or more publicly traded companies involved in various sectors of the shipping and oil services industries with Geveran, or affiliate companies of Geveran, as principal shareholder. As such, there may be real or apparent conflicts of interest with respect to matters affecting Geveran and other relevant Geveran affiliated companies whose interest in some circumstances may be adverse to the interest of the Company.

Apart from the above mentioned matters, as of the date of this Prospectus, there are no current or potential conflicts of interests between the management's and the Directors' duties to the Group and their private interests and/or other duties.

### 13.4 Disclosure About Convictions in Relation to Fraudulent Offences

During the last five years preceding the date of this Prospectus, no member of the board of directors or the Management has:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company.

### 13.5 Remuneration and Benefits

#### Board of Directors

The remuneration of the members of the Board of Directors is determined annually by the General Meeting, on the basis of the Board's responsibility, expertise, time commitment and the complexity of the Group's operations. Through the Company's remuneration of directors, part of which has historically been in stock, the Company has encouraged directors to own shares in the Company. The remuneration is not linked to the Company's performance.

The compensation for each member of the existing Board of Directors of the Company for the financial year 2017 was USD 100,000 for the Chairman, USD 40,000 for Marius Hermansen, USD 20,000 for Ola Lorentzon, USD 5,000 for Georgina E. Sousa and USD 11,000 for Nikolai Grigoriev. Additionally, the former director Robin Bakken received USD 14,000 as compensation for the financial year 2017. Between 0% and 80% of the remuneration is paid via the issuance of Shares by the Company. For the year ended 31 December 2017, Mr. David McManus was granted 44,518 Shares, Mr. Marius Hermansen was granted 21,105 Shares in remuneration, Mr. Ola Lorentzon was granted 7,985 Shares and Mr. Nikolai Grigoriev received 7,723 Shares in remuneration. Mr. Robin Bakken did not receive any remuneration in Shares.

The price of Shares given as remuneration is calculated on the basis of (i) the volume weighted average trading price of the Company's Shares over a period of ten consecutive trading days ending on the time of settlement of the cash element, or (ii) if the Company's shares are not traded during those ten consecutive trading days, the volume weighted average trading price of the shares during the last ten trading days preceding such calculation time on which the Company's shares are traded.

The Shares issued to directors as part of their remuneration are subject to lock up arrangements, meaning that they cannot be transferred, and shall become unlocked and be made freely transferrable to the directors either on the first or second anniversary after their respective grants.

None of the members of Board of Directors of the Company have any service contracts with the Company or any of its subsidiaries in the Group providing for benefits upon termination of employment.

#### Executive Management

For the year ended 31 December 2017, aggregate compensation to the Company's executive management was USD 1 million under the employment agreements. The management receive remuneration via the management company FLEX LNG Management Limited. The amounts disclosed are the amounts recognised as an expense during the reporting period. Pension provision is provided under defined contribution schemes.

In accordance with recommendation 12 of the Norwegian Corporate Governance Code and the corresponding commitment of the Company, the Board of Directors of the Company has prepared a remuneration program for the determination of salary and other benefits for inter alia the executive management of FLEX LNG Management Limited. The remuneration program which applied to the fiscal year 2017 comprised a set of employee benefits including both fixed and variable elements. The fixed base salary is paid on a monthly basis, dependent on their position, expertise, location and market conditions, and the variable remuneration applies to ensure that the different elements of the bonus scheme are realistic and challenging. In addition, the Company expects in the future to make share option grants. The terms of such awards will be tied to the long term success of the Company.

None of the members of the administrative, management or supervisory bodies' of the Company have any service contracts with the Company or any of its subsidiaries in the Group providing for benefits upon termination of employment.

### Share Option Programme

In September 2018, the Company introduced a share option programme towards certain of its directors, officers and other employees (the “Entitled Persons”). The share option programme is valid for 10 years and any issues thereunder are subject to the Board’s absolute discretion. No consideration is payable to the Company for the grant of an option and any costs of the administration and implementation of the option scheme shall be borne by the Company. The Company’s Board of Directors are not part of this share option programme.

On 7 September 2018, the Company resolved to issue 1,110,000 share options to the members of its Executive Management (excluding Mr. Gurvin who was appointed CFO in November 2018). The share options will have a five-year term and will vest equally one third over a three-year vesting period. The exercise price is USD 1.43. The exercise price will be adjusted for any distribution of dividends made before the relevant options are exercised. On 1 November 2018, the Company resolved to issue 300,000 share options to its newly appointed CFO, Harald Gurvin, on the same terms as the options already in issue, save that such options have an exercise price of USD 1.76.

### Shares and Options held by Members of the Board of Directors and Management

The table below sets forth the number of Shares and options beneficially owned by each of the Company’s members of the Board of Directors and management as of the day of this Prospectus.

	Position	Shares	Options
<i>Board of Directors</i>			
David McManus .....	Chairman	882,686	—
Marius Hermansen .....	Director	54,826	—
Georgina E. Sousa .....	Director	—	—
Ola Lorentzon .....	Director	14,728	—
Nikolai Grigoriev .....	Director	46,208	—
<i>Management</i>			
Øystein Kalleklev .....	CEO/CFO*	25,000	600,000
Harald Gurvin .....	CFO* (from January 2019)	30,000	300,000
H. Marius Foss .....	Head of Commercial	2,500	450,000

\* Harald Gurvin is appointed as CFO, with expected effect as of January 2019. Until such date, Øystein Kalleklev will act as both CEO and CFO.

### 13.6 Nomination Committee

In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders are permitted to identify and recommend potential candidates to become board members, but pursuant to the Company’s Bye-Laws, directors are elected by the shareholders in duly convened annual or special general meetings.

### 13.7 Audit Committee

The Company has an audit committee, currently comprising Director Nikolai Grigoriev. The primary purposes of the audit committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets; the operation of adequate system and internal controls; control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; and
- provide support to the Board of Directors on the risk profile and risk management of the Company.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations. The Board has relevant general market and/or reporting experience related to accounting/auditing.

### 13.8 Remuneration Committee

The Company does not have a remuneration committee.

### 13.9 Corporate Governance

The Company's corporate governance principles are based on, and comply with, the Norwegian Code of Practice for Corporate Governance as of 17 October 2018, with the following exceptions:

- *Section 2 "Business"*: In accordance with normal practice for Bermuda companies, the Company's Bye-Laws do not include a specific description of its business. According to the Memorandum of Continuance, the objects for which the Company was formed and incorporated are unrestricted. As a Bermuda continued company, the Company has chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Norwegian Code of Practice.
- *Section 3 "Equity and dividends"*: The Company's equity capital is at a level appropriate for its objectives, strategy, and risk profile. In accordance with Bermuda law, the Board of Directors is authorised to require its own shares to be held as treasury shares, and to issue any unissued shares within the limits of the authorised share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Norwegian Code of Practice. While the Company aims at providing competitive long-term return on the investments of its shareholders, it does not currently have a formal dividend policy.
- *Section 4 "Equal treatment of shareholders and transaction with close associates"*: In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorised capital within which the Board of Directors may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time-limited or purpose-limited authorisations to increase the share capital. The Board of Directors will propose to the shareholders that they consider and, if necessary, resolve to increase the authorised capital of the Company that will allow the Board of Directors some flexibility to increase the number of issued shares without further shareholder approval. As such, the Company may deviate from the recommendation in the Norwegian Code of Practice section 4 to limit such authorisation to 10% of the issued share capital. Any increase of the authorised capital is, however, subject to approval by the shareholders by simple majority of the votes cast.
- *Section 5 "Freely negotiable shares"*: Neither the Bye-Laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. The Bye-Laws provide for the Board of Directors in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. The Company is subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board of Directors will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified. The Board of Directors will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Norwegian Code of Practice section 5. The Board of Directors may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.
- *Section 5 "Freely negotiable shares"*: With limited exceptions, all shares in the Company are freely negotiable, and the Bye-Laws contain no form of restriction on the negotiability of the shares, or on voting rights. Furthermore, the shareholders of the Company have on the Annual General Meeting in 2017 and 2016 resolved to issue up to 100% of the remuneration for the directors for the two years as new shares in the Company, that are to be subject to a lock-up. The two share issuances covering the board remuneration for the 2017 and 2016 year shall become unlocked either on the first or second anniversary after their respective grant.
- *Section 6 "General meetings"*: The Company's Bye-Laws require 5 days' notice for annual and other shareholder meetings, rather than 21 days, which is the recommendation of the Norwegian Code of Practice. Currently, given the Company position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on. The Company strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the meeting of shareholders. In the view of the Company, the current shareholder structure, the shareholder representation, and the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board.
- *Section 6 "General meetings"*: The Board of Directors has not made arrangements for an independent Chairman for each annual meeting of the shareholders as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Further, the Company does not believe that it is necessary for all directors and the auditor to be physically present at the meeting of the shareholders.

- *Section 6 “General meetings”*: As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS-registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on the Oslo Stock Exchange. The Company complies in all other respects with the recommendations for general meetings as set out in of the Norwegian Code of Practice.
- *Section 7 “Nomination committee”*: As permitted under Bermuda law, the Company will not have a nomination committee as recommended by the Norwegian Code of Practice section 7. In lieu of a nomination committee comprised of independent directors, the Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.
- *Section 8 “Corporate assembly and board of directors”*: The Board of Directors elects its Chairman, rather than the shareholders. Given the Company’s current development status the Company believe that this is satisfactory and that the Chairman can ensure that the Board is effective in its tasks of setting and implementing the Company’s direction and strategy.
- *Section 8 “Corporate assembly and board of directors”*: As a Bermuda registered company with a limited number of employees and contractors, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.
- *Section 9 “The work of the board of directors”*: In lieu of an audit committee comprised of three independent directors, the Company’s audit committee has one member, which is consistent with Bermuda law, currently comprising Mr. Nikolai Grigoriev.
- *Section 9 “The work of the board of directors”*: In lieu of a compensation committee comprised of independent directors, the Board is responsible for establishing the executive officers’ compensation and benefits. Under Bermuda law, compensation of the executive officers is not required to be determined by an independent committee
- *Section 11 “Remuneration of the board of directors”*: There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. The Company will provide information to its shareholders regarding remuneration of the Board of Directors in compliance with United States generally accepted accounting principals (“US GAAP”) but will not implement procedures that are not generally applied under Bermuda law. The Company therefore deviates from this part of section 11 of the Norwegian Code of Practice. There are no service contracts between the Company and any of its directors providing for benefits upon termination of their service.
- *Section 12 “Remuneration of executive personnel”*: There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. The Company provides information to its shareholders regarding remuneration of the executive management in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure and information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. The Company therefore deviates from this part of section 12 of the Norwegian Code of Practice.

### 13.10 Employees

All employees are engaged through the management company FLEX LNG Management Limited and Flex LNG Management AS. As of the date of this Prospectus the Group has six (6) employees in total. As of 31 December 2017 the Group contained two (2) employees.

The table below shows the development in number of employees in the Group since 31 December 2016

	2017	2016
Employees, at period end .....	2	1

The management company contributes to a defined contribution pension scheme for members of staff, who are also offered additional health insurance. The number of man-labour years in 2017 was 5 (2016 - 3). The Company has incurred social security costs USD 5,000 (2016: USD 12,000) in relation to the payment of Directors fees in the Isle of Man. Pension costs for the Group were USD 58,000 for 2017 and USD 24,000 for 2016.

## 14. DIVIDEND AND DIVIDEND POLICY

*This Section provides information about the dividend policy and dividend history of the Company, as well as certain legal constraints on the distribution of dividends under the Bermuda Companies Act. For a discussion of certain financial covenants under the Company's borrowing arrangements which may restrict distribution of dividends, see Section 8.7 (Material Contracts). Any future dividends declared by the Company on the new Shares will be paid in NOK as this is the currency that currently is supported by the VPS. The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates; see Section 4.1 (Cautionary Note Regarding Forward-Looking Statements).*

### 14.1 Dividend Policy and Dividend History

As the Group has yet to produce stable cash flow, the Company has not paid any dividends for the years 2017 or 2016. The Company does not yet have sufficient capital to cover the future capex for the take-out financing of all its vessels under construction. Once this has been secured, the Company will be in a better position to decide on its dividend policy going forward.

There can be no assurances that in any given period dividends will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the above. In deciding whether to propose a dividend and in determining the dividend amount, the Company's Board of Directors will take into account legal restrictions, as set out in Section 14.2 (*Legal Constraints on the Distribution of Dividends*), the Company's capital requirements (including capital expenditure requirements) its financial condition, general business conditions and any restrictions that its borrowing arrangements or other contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintaining of appropriate financial flexibility.

### 14.2 Legal Constraints on the Distribution of Dividends

Under the Bermuda Companies Act, a company may, subject to its bye-laws and by resolution of the directors, declare and pay a dividend, or make a distribution out of contributed surplus, provided there are reasonable grounds for believing that after any such payment (a) the company will be solvent and (b) the realizable value of its assets will be greater than its liabilities.

Pursuant to the Bye-Laws, the Board of Directors of the Company may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the shareholders according to their rights and interests including such interim dividends as appear to the Board of Directors to be justified by the position of the Company. The Company may by resolution of a shareholders meeting or the Board of Directors fix any date as the record date for any such dividend.

The Board of Directors may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board of Directors, justifies such payment.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (i) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid up on the shares in respect of which the dividend or distribution is paid, and an amount paid up on a share in advance of calls may be treated for the purpose of the Bye-Laws as paid-up on the share;
- (ii) dividends or distributions out of contributed surplus may be apportioned and paid pro rata according to the amounts paid-up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.

The Board of Directors may deduct from any dividend, distribution or other moneys payable to a shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

No dividend, distribution or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

Any dividend distribution, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the mail addressed to the holder at his address in the shareholder register or, as the case may be, the VPS, or, in the case of joint holders, addressed to the holder whose name stands first in the register or, as the case may be, the VPS, in respect of the shares at his registered address as appearing in the shareholder register or, as the case may be, the VPS, or addressed to such person at such address as the holder or joint holders may in writing direct. Every such

cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the shareholder register or, as the case may be, the VPS, in respect of such shares, and shall be sent at his or their risk, and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company and the payment by the Board of Directors of any unclaimed dividend, distribution, interest or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.

The Board of Directors may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debentures of any other company, and where any difficulty arises in regard to such distribution or dividend the Board of Directors may settle it as it thinks expedient, and in particular, may authorize any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any shareholders upon the footing of the values so fixed in order to secure equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board of Directors.

## 15. CORPORATE INFORMATION; SHARES AND SHARE CAPITAL

The following is a summary of certain corporate information and other information relating to the Group, the Shares and share capital of Company, summaries of certain provisions of the Company's Bye-Laws and applicable Bermuda law in effect as of the date of this Prospectus. This summary does not purport to be complete and is qualified in its entirety by Company's Bye-Laws and applicable Bermuda law.

### 15.1 Incorporation; Registration Number; Registered Office and Other Company Information

The Company is an exempted company duly continued into Bermuda under the laws of Bermuda, with registration number 52644. The legal and commercial name of the Company is FLEX LNG Ltd. The Company was incorporated under the laws of the British Virgin Islands on 31 August 2006, and continued in Bermuda in accordance with the Bermuda Companies Act on 8 June 2017.

The Company's registered office is at Par la Ville Place, 14 Par la Ville Road, Hamilton, HM08, Bermuda, the telephone number for its management company is +44 (0) 207 543 6695 and its website is [www.flexlng.com](http://www.flexlng.com).

### 15.2 Information on Holdings

The following table sets out information about the entities in which the Company, as of the date of this Prospectus, holds (directly or indirectly) more than 10% of the outstanding capital and votes (dormant companies are not included).

Name	Country of Incorporation	Registered Office	Field of Activity	% Holding
FLEX LNGC 1 Limited	Isle of Man	Isle of Man	Shipping	100%
FLEX LNGC 2 Limited	Isle of Man	Isle Of Man	Shipping	100%
FLEX LNG Management Limited	Isle of Man	Isle of Man	Management services	100%
FLEX LNG Shipping Limited	Isle of Man	Isle of Man	Shipping	100%
FLEX Petroleum Limited	BVI	BVI	Holding company	100%
FLEX LNG Fleet Limited	Bermuda	Bermuda	Holding company	100%
FLEX LNG Shipping Bermuda Limited	Bermuda	Bermuda	Shipping	100%
FLEX LNG Chartering Limited	UK	UK	Shipping	100%
FLEX LNG Endeavour Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX LNG Enterprise Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX LNG Ranger Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX LNG Rainbow Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX LNG Reliance Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX LNG Resolute Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX Freedom Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX Volunteer Limited	Marshall Islands	Marshall Islands	Shipping	100%
FLEX Vigilant Limited	Marshall Islands	Marshall Islands	Shipping	100%

### 15.3 Share Capital and Share Capital History

As of the date of this Prospectus, the issued share capital of the Company is USD 5,409,992.87 divided into 540,999,287 ordinary shares, each share with a nominal value of USD 0.01. The table below shows the development in the Company's share capital since 1 January 2015 and up to the date of this Prospectus.

Description	Date	Share Capital Increase (USD)	Share Capital After Change (USD)	Par Value of Shares (USD)	Subscripti on Price	New Shares	Total Number of Outstanding Shares
Board remuneration .....	09/01/2015	94,328.80	564,305,380.31	1,270,120.33	USD 1.04	90,809	127,012,033
Staff option exercise .....	09/01/2015	8,000.00	564,313,380.31	1,278,120.33	USD 0.01	800,000	127,812,033
Board remuneration .....	29/07/2015	45,500.00	564,358,880.31	1,278,396.73	USD 1.65	27,640	127,839,673
Staff option exercise .....	30/07/2015	300.00	564,359,180.31	1,278,696.73	USD 0.01	30,000	127,869,673
Board remuneration .....	19/01/2016	45,554.44	564,404,734.75	1,279,068.82	USD 1.22	37,209	127,906,882
Board remuneration .....	25/07/2016	48,500.00	564,453,234.75	1,279,456.57	USD 1.25	38,775	127,945,657
Board remuneration .....	17/01/2017	48,500.00	564,501,734.75	1,279,832.56	USD 1.29	37,599	127,983,256
2017 Private Placement Shares .....	07/03/2017	98,392,411.26	662,894,146.01	2,004,180.38	USD 1.36	72,434,782	200,418,038
2017 Geveran shares .....	07/03/2017	105,951,973.16	768,846,119.17	2,784,180.38	USD 1.36	78,000,000	368,060,340

Board remuneration .....	16/02/2018	441.30	3,681,044.70	0.01	NOK 11.23	44,130	368,104,470
Board remuneration .....	06/09/2018	438.23	3,681,482.98	0.01	NOK 12.08	43,828	368,148,298
Private Placement Shares .....	15/10/2018	1,729,389.47	5,409,992.87	0.01	NOK 14.25	172,938,947	540,999,287

#### 15.4 Authorisation to Increase the Share Capital and to Issue Shares and Other Financial Instruments

The Company's memorandum of continuance authorises the issuance of 100,000,000,000 ordinary shares, each with a par value of USD 0.01.

Shares and other equity securities may be issued to eligible persons, for such consideration and on such terms as proposed by the Board of Directors and resolved by the meeting of shareholders. The term "securities" means shares and debt obligations of every kind, and includes without limitation options, warrants and rights to acquire shares or debt obligations.

#### 15.5 Share Classes; Rights Conferred by the Shares

The Company has one single share class and all shares carry the same rights. At the Company's General Meetings, each share carries one vote.

#### 15.6 Disclosure on Notifiable Holdings

As of 22 November 2018, which was the latest practicable date prior to the date of this Prospectus, and insofar as known to the Company, the following persons had, directly or indirectly, interest in 5 % or more of the issued share capital of the Company (which constitutes a notifiable holding under the Norwegian Securities Trading Act):

Geveran Trading Co. Ltd..... 44.61%

Geveran is a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family. As a result of its shareholding in the Company, Geveran has the ability to significantly influence the matters submitted for vote of the shareholders of the Company. When agreements are being entered into between the Company and Geveran, or other companies controlled by Geveran, the Board of Directors has particular focus on acting in the best interest of the Company, in accordance with good corporate governance practice. If needed, external, independent opinions are sought.

The Company is not aware of any arrangements, the operation of which may at a date subsequent to the date of this Prospectus result in a change of control in the Company.

None of the major shareholders has different voting rights than the other shareholders in the Company.

#### 15.7 Bye-Laws and Certain aspects of Bermuda Law

The Company's Bye-Laws are appended as Appendix B—Bye-Laws to this Prospectus. Below is a summary of certain provisions of the Bye-Laws.

##### Objective

Pursuant to Item 6 of the Memorandum of Continuance, the objects of the Company are unrestricted.

##### Registered Office

The Company's registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda.

##### Board of Directors, Management and Supervisory Bodies

It follows from the Bye-Laws section 94 that the Company's Board of Directors shall consist of not less than two members and shall at all times comprise a majority of directors who are not resident in the United Kingdom.

The Company's shareholders may determine the minimum and maximum number of directors by the vote of shareholders representing a majority of the total number of votes which may be cast at any annual or special general meeting, or by written resolution. Each director is elected at an annual general meeting of shareholders for a term commencing upon election and expiring on the date of the next scheduled annual general meeting of shareholders or until his or her successor is appointed. The Bye-Laws do not permit cumulative voting for directors.

##### Share Class

The Company has one class of ordinary shares and the holders of the shares are entitled to one vote per share on each matter requiring the approval of the shareholders. At any annual or special general meeting of shareholders where there is a quorum, a simple majority vote will generally decide any matter, unless a different vote is required by express provision of the Bye-Laws or Bermuda law. In general, only shareholders registered in the company's Register of Members are entitled to vote on the shares.

### **Share Capital**

The Memorandum of Continuance provides for an authorized share capital of up to USD 1,000,000,000.00, divided into 100,000,000,000 ordinary shares, each with a par value of USD 0.01 per share.

The Bye-Laws section 5A provides that the Company's Board of Directors may exercise all the powers of the Company to:

- (a) divide the Company's shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (b) consolidate and divide all or any of the Company's share capital into shares of larger amount than its existing shares;
- (c) subdivide the Company's shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- (d) make provision for the issue and allotment of shares which do not carry any voting rights.

### **No Restrictions on Transfer of Shares**

The Bye-Laws do not provide for a right of first refusal on transfer of shares. Share transfers are not subject to approval by the Board of Directors. However, the Board of Directors may decline to register any transfer in certain circumstances described in the Bye-Laws. Such circumstances include, where the transfer might breach any law or requirement of any authority or listing exchange and if the transfer could result in 50% or more of the Company's voting share capital being held by a person resident for tax purposes in Norway.

### **General Meetings**

Under the Bermuda Companies Act, an annual general meeting of the shareholders shall be held for the election of directors on any date or time as designated by or in the manner provided for in the bye-laws and held at such place within or outside Bermuda as may be designated in the bye-laws. Any other proper business may be transacted at the annual general meeting. The Bye-Laws provide that the Board of Directors may fix the date, time and place of the annual general meeting within or without Bermuda (but never in the Norway or the United Kingdom) for the election of directors and to transact any other business properly brought before the meeting.

Under the Bermuda Companies Act, any meeting that is not the annual general meeting is called a special general meeting, and may be called by the board of directors or by such persons as authorized by the company's bye-laws. Additionally, as required by the Bermuda Companies Act, at least 10% of the issued and outstanding shares entitled to vote are allowed to call for a special general meeting. At such special general meeting, only business that is related to the purpose set forth in the required notice may be transacted. Additionally, under Bermuda law, a company may, by resolution at a special general meeting, elect to dispense with the holding of an annual general meeting for (a) the year in which it is made and any subsequent year or years; (b) for a specified number of years; or (c) indefinitely.

The Bye-Laws provide that special general meetings may be called by the Board of Directors and when required by the Bermuda Companies Act, i.e., by holders of one-tenth of a company's issued ordinary shares through a written request to the board.

Under the Bermuda Companies Act, notice of any general meeting must be given not less than five days before the meeting and shall state the place, date and hour of the meeting and, in the case of a special general meeting, shall also state the purpose of such meeting and the that it is being called at the direction of whoever is calling the meeting. Under Bermuda law, accidental failure to give notice will not invalidate proceedings at a general meeting.

Under the Bye-Laws, quorum at any general meeting shall be constituted by at least two shareholders, or in the event that there is only one Shareholder, one Shareholder, present in person or by proxy and entitled to vote (whatever the number of shares held by them).

## **Change of Control**

The Company's Memorandum of Continuance and Bye-Laws contain provisions that may have an effect of delaying, deferring or preventing a change of control of the Company, including (i) the authorization of up to 100,000,000,000 ordinary shares with potential voting powers, designations, preferences and other rights as may be provided for by the Board of Directors and (ii) no provision allowing for cumulative voting in the election of directors. With respect to (i), the Bye-Laws provide that unissued shares in the Company shall be at the disposal of the Board, which may dispose of them for such consideration and on such terms and conditions as the Board may determine, though such power remains subject to the rules of the Oslo Stock Exchange.

Additionally, as required by the Bermuda Companies Act, at least 10% of the issued and outstanding shares entitled to vote are allowed to call for a special general meeting, which may prevent a shareholder from forcing a special general meeting of shareholders and impede a change of control of the Company or the removal of management.

## **Disclosure of Shareholdings**

Pursuant to the Bye-Laws section 41, if 50% or more of the aggregate issued share capital of the Company or shares to which are attached 50% or more of the votes attached to all outstanding shares of the Company are found to be held or owned directly or indirectly by a person or persons resident for tax purposes in Norway, other than the registrar in respect of those shares registered in its name in the register as nominee of persons whose interests in such shares are reflected in a branch register, such as the VPS, the Board of Directors shall make an announcement to such effect through the Oslo Stock Exchange.

The Board of Directors and the registrar of the relevant branch register shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than 50%, and, for these purposes, the Board of Directors and the registrar shall in such case dispose of shares or interests therein owned by persons resident for tax purposes in Norway on the basis that the shares or interests therein most recently acquired shall be the first to be disposed of (i.e. on the basis of last acquired first sold) save where there is a breach of the obligation to notify tax residency pursuant to the foregoing, in which event the shares or interests therein of the person in breach thereof shall be sold first. Shareholders shall not be entitled to raise any objection to the disposal of their shares, but the provisions of the Bye-Laws relating to the protection of purchasers of shares sold under lien or upon forfeiture shall apply *mutatis mutandis* to any disposal of shares or interests therein made in accordance with the Bye-Laws.

In addition, pursuant to the Bye-laws section 49, any person (other than the registrar as the nominee of persons whose interests in such shares are reflected in a branch register, such as the VPS) who acquires or disposes of an interest in shares to the effect that the requirements of the Oslo Stock Exchange in effect from time to time concerning the duty to flag changes in a person's interest in shares require such changes to be notified shall notify the registrar immediately of such acquisition or disposal and the resulting interest of that person in shares.

## **Amendments to the Memorandum of Continuation and Bye-Laws**

Subject to the Bermuda Companies Act, all or any of the special rights attached by the Company's Board of Directors to any class of shares may only be altered or abrogated with the consent in writing of the holders of not less than 75% of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or by proxy. Additionally, the special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

Under Bermuda law, a company may, by resolution passed at an annual or special general meeting of shareholders, alter the provisions of the memorandum of association. An application for alteration can only be made by (i) holders of not less in the aggregate than 20% in par value of a company's issued share capital, (ii) by holders of not less in the aggregate that 20% of the company's debentures entitled to object to alterations to the memorandum, or (iii) in the case a company that is limited by guarantee, by not less than 20% of the shareholders.

The Bye-Laws may be amended in the manner provided for in the Bermuda Companies Act, provided that such amendment should only become operative to the extent that it has been confirmed by resolution passed at an annual or special general meeting of shareholders by a simple majority vote.

## **Additional Issuances and Pre-Emptive Rights**

The Bye-Laws do not provide a shareholder of the Company with any pre-emptive rights to subscribe for additional issues of the Company's shares.

## **Rights of Redemption and Conversion of Shares**

The Bye-Laws do not provide for any shareholder rights of conversion or redemption of the ordinary shares in the Company.

## **Shareholder Vote on Certain Reorganizations**

Under the Bermuda Companies Act, any plan of merger or amalgamation must be authorized by the resolution of a company's shareholders and must be approved by a majority vote of 3/4 of those shareholders voting at such special general meeting. A quorum of two or more persons holding or representing more than 1/3 of the issued and outstanding ordinary shares of the company on the record date of such special general meeting must be in attendance in person or by proxy at such special general meeting. The Bye-laws provide that the any plan of merger or amalgamation may be authorized by resolution of a company's shareholders passed at a special general meeting of shareholders by a simple majority vote. The Bye-laws also provide that the quorum at such special general meeting shall be constituted by at least two shareholders, or in the event that there is only one shareholder, one shareholder, present in person or by proxy and entitled to vote (whatever the number of shares held by them).

## **Liability of Directors**

Under Bermuda law, directors and officers shall act honestly and discharge their duties in good faith with a view to the best interests of the Company and with that degree of diligence, care and skill which reasonably prudent people would exercise under similar circumstances in like positions. In discharging their duties, directors and officers may rely upon financial statements of the company represented to them to be correct by the officer having charge of its books or accounts or by independent accountants.

The Bermuda Companies Act provides that a company's bye-laws may include a provision for the elimination or limitation of liability of a director to the company or its shareholders for any loss arising or liability attaching to him by virtue of any rule of law in respect to any negligence, default, breach of any duty or breach of trust which the director may be guilty of; provided that such provision shall not eliminate or limit the liability of a director for any fraud or dishonesty he may be guilty of.

## **Indemnification of Directors and Officers**

Bermuda law permits the bye-laws of a Bermuda company to contain a provision indemnifying the company's directors and officers for any loss arising or liability attaching to him or her by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the officer or person may be guilty, save with respect to fraud or dishonesty. Bermuda law also grants companies the power generally to indemnify directors and officers of a company, except in instances of fraud and dishonesty, if any such person was or is a party or threatened to be made a party to a threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director and officer of such company or was serving in a similar capacity for another entity at such company's request.

The Bye-Laws provide that each director, alternate director, officer, person or member of a board committee, if any, resident representative, and his or her heirs, executors or administrators will be indemnified and held harmless out of the Company's assets to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him or her as such director, alternate director, officer, person or committee member or resident representative. The restrictions on liability, indemnities and waivers provided for in the Bye-Laws do not extend to any matter that would render the same void under the Bermuda Companies Act. In addition, each such person shall be indemnified out of the assets of the Company against all liabilities incurred in defending any proceedings, whether civil or criminal, in which judgment is given in such person's favor, or in which he or she is acquitted.

## **Distribution of Assets on Liquidation**

Upon liquidation, dissolution or winding up, the shareholders of the Company will be entitled under Bermuda law to receive, pro rata, the net assets available after the payment of all of the Company's debts and liabilities and any preference amount owed to any preference shareholders. The rights of shareholders, including the right to elect directors, are subject to the rights of any series of preference shares the Company may issue in the future.

## **16. SECURITIES TRADING IN NORWAY**

*The following is a summary of certain information in respect of trading and settlement of shares on the Oslo Stock Exchange, securities registration in Norway and certain provisions of applicable Norwegian securities law, including the Norwegian Securities Trading Act, in effect as of the date of this Prospectus. This summary does not purport to be complete and is qualified in its entirety by Norwegian law.*

### **16.1 Trading and Settlement**

The Oslo Stock Exchange comprise two separate trading markets for trading in equities, Oslo Børs, a stock exchange operated by Oslo Børs ASA, and Oslo Axess, a regulated market operated by Oslo Børs ASA.

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange as well as by the Borsa Italiana and the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16:30 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), a closing auction from 16:20 hours (CET) to 16:25 hours (CET), and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two trading days after the Transaction, and that the seller will receive payment after two trading days.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from a member state of the EEA or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

### **16.2 Information, Control and Surveillance**

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and the bond markets in Norway.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or is subject to the application for listing on such market, must promptly release any inside information (that is, precise information about financial instruments, the issuer thereof or other matters that are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and that are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

### **16.3 The VPS and Transfer of Shares**

In order to facilitate registration of the beneficial interests in the shares with the VPS, the Company has entered into a registrar agreement with the VPS Registrar, who will operate the Company's VPS share register. Pursuant to the registrar agreement, the VPS Registrar is registered as holder of the shares in the register of members that the Company maintains pursuant to Bermuda law. The VPS Registrar will register the beneficial interests in the shares in book-entry form with the VPS. Therefore, it is not the shares in registered form issued in accordance with the Bermuda Companies Act, but the beneficial interests in such shares in book-entry form that are registered with the VPS.

The beneficial interests in the shares are registered in book-entry form with VPS under the category of a "share" and it is such interest in the shares that is registered and traded on the Oslo Stock Exchange. Each such share registered with the VPS will represent beneficial ownership of one Share. The beneficial interests registered with the VPS are freely transferable, with delivery and settlement through the VPS system. The VPS is the Norwegian paperless centralised securities register. It is a computerised bookkeeping system in which the ownership of, and all Transaction relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly owned by Oslo Stock Exchange VPS Holding ASA.

All Transaction relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS's control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an on-going basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

#### **16.4 Shareholder Register**

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration, and Norwegian shareholders are not allowed to register their shares in VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote in General Meetings on behalf of the beneficial owners.

#### **16.5 Foreign Investment in Norwegian Shares**

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

#### **16.6 Disclosure Obligations**

If a person's, entity's or consolidated Company's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or Company in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

#### **16.7 Insider Trading**

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

#### **16.8 Mandatory Offer Requirement**

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a Norwegian company listed on a Norwegian regulated market to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will

be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange, in its capacity as Take-over Authority of Norway, before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed to be paid by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. However, if it is clear that the market price was higher when the mandatory offer obligation was triggered, the offer price shall be at least as high as the market price. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant mandatory offer threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a General Meeting of the Company's shareholders, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that accrues until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a Norwegian company listed on a Norwegian regulated market is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated Company through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated Company through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated Company sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated Company that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

## **16.9 Compulsory Acquisition**

Under Bermuda law, an acquiring party is generally able to acquire compulsorily the ordinary shares of minority holders in the following ways:

- (a) By a procedure under the Companies Act known as a "scheme of arrangement". A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of ordinary shares, comprising in the aggregate a majority in number representing at least 75% in value of the shareholders (excluding shares owned by the acquirer) present and voting at a meeting ordered by the Bermuda Supreme Court held to consider the scheme of arrangement. Following such approval by the shareholders, the Bermuda Supreme Court may then sanction the scheme of arrangement. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of ordinary shares could be compelled to sell their shares under the terms of the scheme of arrangement.
- (b) Where an acquiring party makes an offer in a scheme or contract for shares or class of shares in a company and the acquiring party receives acceptances, pursuant to the offer, for not less than 90% of the shares in issue (other than those already held by the acquiring party, its subsidiary or by a nominee for the acquiring party or its subsidiary as at the date of the offer) the acquiring party may, at any time within two months from the date the acceptance was obtained, give notice to any dissenting shareholder that it wishes to acquire his shares on the same terms as the original offer. The dissenting shareholders could be compelled to transfer their shares unless the Bermuda Supreme Court (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.

The holder(s) of not less than 95% of the shares or any class of shares of a company may give a notice to the remaining shareholders of the intention to acquire the shares of such remaining shareholders on the terms set out in the notice. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders

on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Bermuda Supreme Court for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

#### **16.10 Foreign Exchange Controls**

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a non-Norwegian company who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transaction into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

The Company has been designated as a non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority. The Company's ordinary shares are to be listed on an appointed stock exchange. For so long as the Company's shares remain listed on an appointed stock exchange, the transfer of shares between persons regarded as resident outside Bermuda for exchange control purposes and the issuance of ordinary shares to or by such persons may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations made thereunder. Issues and transfers of ordinary shares between any person regarded as resident in Bermuda and any person regarded as non-resident for exchange control purposes require specific prior approval under the Bermuda Exchange Control Act 1972 unless such ordinary shares are listed on an appointed stock exchange.

Subject to the foregoing, there are no limitations on the rights of owners of shares in the Company to hold or vote their shares. Because the Company has been designated as non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to non-Bermuda residents who are holders of ordinary shares, other than in respect of local Bermuda currency.

## 17. TAXATION

*This Section describes certain tax rules in Bermuda and Norway applicable to shareholders who are resident in Norway for tax purposes (“Norwegian Shareholders”) and to shareholders who are not resident in Norway for tax purposes (“Foreign Shareholders”). The statements herein regarding taxation are based on the laws in force in Norway as of the date of this Prospectus and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares. Investors are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of Shares. The statements only apply to shareholders who are beneficial owners of Shares. Please note that for the purpose of the summary below, references to Norwegian Shareholders or Foreign Shareholders refers to the tax residency rather than the nationality of the shareholder.*

### 17.1 Norwegian Shareholders

#### Taxation of Dividends

Dividends distributed by companies resident in Bermuda for tax purposes, including dividends from the Company, received by Norwegian corporate shareholders (i.e. limited liability companies and similar entities) (“Norwegian Corporate Shareholders”) are taxable as ordinary income in Norway for such shareholders at a flat rate of 23%.

Dividends distributed to Norwegian individual shareholders (i.e. other Norwegian shareholders than Norwegian Corporate Shareholders) (“Norwegian Individual Shareholders” and taken together with Norwegian Corporate Shareholders “Norwegian Shareholders”) are taxable under the “shareholder model”. According to the shareholder model, dividends distributed to Norwegian Individual Shareholders are multiplied with a factor of 1.33 before taken to taxation at the ordinary income rate of 23% (resulting in an effective tax rate of 30.59%) to the extent the dividend exceeds a basic tax-free allowance. The tax-free allowance shall be computed for each individual shareholder on the basis of the cost price of each of the shares multiplied by a risk-free interest rate. The risk-free interest rate will be calculated every income year and is allocated to the shareholder owning the share on 31 December of the relevant income year. Any part of the calculated tax-free allowance one year exceeding the dividend distributed on the share (“unused allowance”) may be carried forward and set off against future dividends received on (or gains upon realization of, see below) the same share. Any unused allowance will also be added to the basis of computation of the tax-free allowance on the same share the following year.

For financial institutions, the tax rate for ordinary income is 25%.

#### Taxation of Capital Gains

Sale, redemption or other disposal of shares is considered as a realization for Norwegian tax purposes.

Norwegian Corporate Shareholders are taxable in Norway for capital gains on the realization of shares in the Company, and have a corresponding right to deduct losses. This applies irrespective of how long the shares have been owned by the Norwegian Corporate Shareholders and irrespective of how many shares that are realized. The taxable gain or deductible loss is calculated per share, as the difference between the consideration received and the tax value of the share. The tax value of each share is based on the Norwegian Corporate Shareholders cost price of the share. Costs incurred in connection with the acquisition or realization of the shares may be deducted in the year of sale. Any capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of 23%.

Norwegian Individual Shareholders are taxable in Norway for capital gains on the realization of shares, and have a corresponding right to deduct losses. This applies irrespective of how long the shares have been owned by the individual shareholder and irrespective of how many shares that are realized. Gains are taxable as ordinary income in the year of realization, and losses can be deducted from ordinary income in the year of realization. Any gains or losses are also multiplied with a factor of 1.33 before taken to taxation at the tax rate for ordinary income of 23% (resulting in an effective tax rate of 30.59%). Under current tax rules, gain or loss is calculated per share, as the difference between the consideration received and the tax value of the share. The tax value of each share is based on the individual shareholder's purchase price for the share. Costs incurred in connection with the acquisition or realization of the shares may be deducted in the year of sale. Unused tax-free allowance connected to a share may be deducted from a capital gain on the same share, but may not lead to or increase a deductible loss. Further, unused tax-free allowance may not be set off against gains from realization of the other shares.

If Norwegian Shareholders realize shares acquired at different times, the shares that were first acquired will be deemed as first sold (the “first in first out”-principle) upon calculating taxable gain or loss.

A shareholder who ceases to be tax resident in Norway due to domestic law or tax treaty provisions may become subject to Norwegian exit taxation of capital gains related to shares in certain circumstances.

For financial institutions, the tax rate for ordinary income is 25%.

### **Taxation of Subscription Rights**

A Norwegian Shareholder's subscription for shares in companies resident in Bermuda for tax purposes pursuant to a subscription right is not subject to separate taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Sale and other transfer of such subscription rights are considered a realisation for Norwegian tax purposes. Any gain (calculated as for shares) are taxable at the flat rate of 23%. Losses are deductible at the same rate.

For financial institutions, the tax rate for ordinary income is 25%.

### **Controlled Foreign Corporation (CFC) taxation**

Norwegian Shareholders in the Company will be subject to Norwegian taxation according to the Norwegian Controlled Foreign Corporations regulations (the "**Norwegian CFC-regulations**") if Norwegian Shareholders directly or indirectly own or control (together referred to as "**Control**") the shares of the Company.

Norwegian Shareholders will be considered to Control the Company if:

- Norwegian Shareholders Control 50% or more of the shares or capital in the Company at the beginning of and at the end of a tax year; or
- If Norwegian Shareholders Controlled the Company the previous tax year, the Company will also be considered Controlled by Norwegian Shareholders in the following tax year unless Norwegian Shareholders Control less than 50% of the shares or capital at both the beginning and the end of the following tax year; or
- Norwegian Shareholders Control more than 60% of the shares or capital in the Company at the end of a tax year.
- If less than 40% of the shares or capital are Controlled by Norwegian Shareholders at the end of a tax year, the Company will not be considered Controlled by Norwegian Shareholders for Norwegian tax purposes.

Under the Norwegian CFC-regulations Norwegian Shareholders are subject to Norwegian taxation on their proportionate part of the taxable net income generated by the Company, calculated according to Norwegian tax regulations, regardless of whether or not any dividends are distributed from the Company.

### **Net Wealth Tax**

The value of shares is taken into account for net wealth tax purposes in Norway. The marginal tax rate is currently 0.85%. Norwegian limited liability companies and similar entities are exempted from net wealth tax.

Shares listed on the Oslo Stock Exchange are valued at 80% of the quoted value at 1 January in the assessment year.

Norwegian Corporate Shareholders are not subject to net wealth tax.

### **VAT and Transfer Taxes**

No VAT, stamp duty or similar duties are currently imposed in Norway on the transfer or issuance of shares.

### **Inheritance Tax**

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

## **17.2 Non-Norwegian Shareholders**

### **Taxation of dividends**

Dividends received by Non-Norwegian Shareholders from shares in Non-Norwegian companies are not subject to Norwegian taxation unless the Non-Norwegian Shareholders holds the shares in connection with the conduct of a trade or business in Norway.

### **Taxation of Capital Gains**

Capital gains generated by Non-Norwegian Shareholders are not taxable in Norway unless the Non-Norwegian Shareholders hold the shares in connection with the conduct of a trade or business in Norway.

### **Net Wealth Tax**

Non-Norwegian Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian personal shareholders may, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

### **VAT and transfer taxes**

No VAT, stamp duty or similar duties are currently imposed in Norway on the transfer or issuance of shares.

### **Inheritance Tax**

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

## **17.3 Bermuda Taxation**

The Company does not assume any responsibility for any withholding of taxes at source. However, under current Bermuda law, there are no taxes on profits, income or dividends nor is there any capital gains tax. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations, or the ordinary shares, debentures or other obligations of the Company, until 31 March 2035. This undertaking does not, however, prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda and holding such shares, debentures or obligations of the Company or of property taxes on Company-owned real property or leasehold interests in Bermuda.

## **18. ADDITIONAL INFORMATION**

### **18.1 Independent Auditors**

The Company's independent auditor is Ernst & Young AS ("EY") which has its registered address at Dronning Eufemias gate 6, 0051 Oslo, Norway. The partners of EY are members of the Norwegian Institute of Public Accountants (Nw. *Den Norske Revisorforening*).

EY has been the Company's auditor since its incorporation in 2006. Accordingly, no auditor of the Group has resigned, been removed or failed to be re-appointed during the period covered by the financial information discussed herein.

The auditor's reports to the Financial Statements are annexed to this Prospectus together with the Financial Statements. Other than these reports, neither EY nor any other auditor has audited or reviewed any accounts of the Group or produced any report on any other information provided in this Prospectus.

### **18.2 Managers**

DNB Markets, a part of DNB Bank ASA, Pareto Securities AS, ABN AMRO Bank N.V., Arctic Securities AS, Fearnley Securities AS and Skandinaviska Enskilda Banken AB (publ.) (Oslo Branch) have acted as Managers for the Private Placement.

### **18.3 Legal Advisors**

Advokatfirmaet BAHR AS is acting as legal adviser as to Norwegian law, and MJM Limited is acting as legal adviser as to Bermuda law, to the Company in connection with the Private Placement.

### **18.4 VPS Registrar**

The Company's VPS registrar is DNB Bank ASA, which has its registered address at Dronning Eufemias gate 30, 0191 Oslo, Norway.

### **18.5 Documents on Display**

For twelve months from the date of this Prospectus, copies of the following documents will be available for inspection at the Company's registered office during normal business hours from Monday through Friday each week (except public holidays):

- The Bye-Laws of the Company.
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Prospectus.
- The Group's consolidated financial statements as of and for the years ending 31 December 2017 and 31 December 2016, and the related auditor reports thereto.
- The financial statements for the Company's subsidiaries for the two financial years preceding the publication of this Prospectus.
- The Prospectus dated 8 May 2017
- This Prospectus.

## 19. DEFINITIONS

*Capitalised terms used throughout this Prospectus shall have the meaning ascribed to such terms as set out below, unless the context require otherwise.*

APM .....	Alternative performance measures
Bermuda Companies Act .....	The Companies Act 1981 of Bermuda, as amended from time to time.
BMA .....	The Bermuda Monetary Authority
Board of Directors .....	The board of directors of the Company.
Bye-Laws .....	The Company's bye-laws in effect as at the date of this Prospectus.
Clarksons SIN .....	Clarksons Shipping Intelligence Network
CEO .....	Chief Executive Officer.
Company .....	FLEX LNG Ltd.
Control .....	Has the meaning ascribed to it in Section 17.1.
Downpayment .....	means 30% of the contract price per Newbuilding payable within three (3) banking days from the later of (i) the date of execution and exchange of the MoAs and (ii) the date of receipt by the Company of the proceeds from the Private Placement as further described in Section 7.3.
DSME .....	Daewoo Shipbuilding and Marine Engineering Co. Ltd.
DSME Vessels.....	The three sister vessels that are under construction at DSME.
EBIT .....	Earnings before interest and tax.
EBITDA.....	Earnings before interest, tax, depreciation and amortisation.
EC Regulation 809/2004 .....	The Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the format, incorporation by reference and publication of prospectuses and dissemination of advertisements, as amended.
Endeavour/Enterprise Transaction .....	means the agreements to take over shipbuilding contracts with DSME from Bacchus and Dionysos entered into by FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited in March 2017.
Enel .....	Enel Trade S.p.A.
EPA.....	The United States Environmental Protection Agency
EU .....	European Union.
EU Regulation 809/2004 .....	Commission Regulation (EC) no. 809/2004 regarding information to be contained in prospectuses.
EY .....	Ernst & Young AS.
Executive Management .....	The members of the Company's executive management.
FCPA .....	The U.S. Foreign Corrupt Practices Act of 1977.
Financial Statements .....	Means the Company's audited consolidated financial statements for the years ended 31 December 2017 and 2016
Foreign Corporate Shareholders .....	Foreign corporate shareholders (i.e. limited liability companies and similar).
Foreign Individual Shareholders .....	Foreign individual shareholders (i.e. other foreign shareholders than Foreign Corporate Shareholders).
Forward-looking Statements .....	Has the meaning ascribed to it in Section 4.1.
Frontline .....	Frontline Management (Bermuda) Limited
Geveran .....	Geveran Trading Co. Ltd.
GHG.....	Greenhouse gases.
Group .....	The Company together with its consolidated subsidiaries.
HHI .....	Hyundai Heavy Industries Co., Ltd.
HHI Vessels.....	The two sister vessels currently under construction at HHI.
IFRS .....	International Financial Reporting Standards.
IMO.....	International Maritime Organization.
Indemnity Agreement .....	Means the indemnity agreement with Seatankers whereby the Company agreed to indemnify Seatankers in respect of any amounts which Seatankers may pay to DSME under the Seatankers Guarantees
Interim Financial Statements .....	/ Means the Company's unaudited consolidated financial statements for the six month period ended 30 June 2018
ISIN.....	International Securities Identification Number
ISM Code .....	The International Management Code for Safe Operation of Ships and Pollution Prevention.
LIBOR .....	London Interbank Offered Rate.
LNG .....	Liquefied natural gas

LNGC.....	Liquefied natural gas carrier
Managers .....	DNB Markets, a part of DNB Bank ASA, Pareto Securities AS, ABN AMRO Bank N.V., Arctic Securities AS, Fearnley Securities AS and Skandinaviska Enskilda Banken AB (publ.) (Oslo Branch).
MARPOL .....	The International Convention for the Prevention of Pollution from Ships of 1973.
ME-GI .....	Main Engine Gas Injection.
Member State .....	Member State of the EU.
MEPC.....	The IMO's Maritime Environment Protection Committee.
MoA .....	Memorandum of Understanding.
MUSD 270 Facility Agreement .....	Means the USD 270 million facility agreement that the Company's subsidiary FLEX LNG Fleet Limited entered into with Sterna Finance Ltd in March 2017.
MUSD 315 Term Loan Facility .....	Means the USD 315 million term loan facility agreement that the Company entered into in 2017 in connection with the take-out instalments of the three vessels FLEX Endeavour, FLEX Enterprise and FLEX Ranger.
Newbuildings .....	Means the five newbuildings acquired pursuant to the Transaction, as further described in section 7.
NIBD.....	Net income before depreciation.
Non-Norwegian Shareholders.....	Shareholders who are not resident in Norway for tax purposes.
Norwegian CFC-regulations.....	Norwegian Controlled Foreign Corporations regulation
Norwegian Code of Practice .....	The Norwegian Corporate Governance Code of 17 October 2018.
Norwegian Corporate Shareholders .....	Norwegian corporate shareholders (i.e. limited liability companies and similar).
Norwegian FSA .....	The Norwegian Financial Supervisory Authority (Nw. <i>Finanstilsynet</i> )
Norwegian Individual Shareholders.....	Norwegian individual shareholders (i.e. other Norwegian shareholders than Norwegian corporate shareholders).
Norwegian Securities Trading Act .....	The Norwegian Securities Trading Act of 29 2007 no. 75, as amended.
Norwegian Shareholders .....	Norwegian Corporate Shareholders taken together with Norwegian Individual Shareholders.
Novation Agreements.....	Means the separate novation agreements with Dionyssos and Bacchus and DSME for the novation of the shipbuilding contracts under the Endeavour/Enterprise Transaction
Oslo Axxess.....	A regulated market place operated by Oslo Børs ASA.
Oslo Børs .....	a stock exchange operated by Oslo Børs ASA
p.a. ....	per annum.
PCGs .....	Means the five parent company guarantees provided by the Company as part of the Transaction.
Private Placement .....	The private placement of 172,938,947 Shares in the Company completed in October 2018.
Private Placement Shares.....	Shares issued in the Private Placement.
Prospectus .....	This prospectus dated 23 November 2018.
Prospectus Directive.....	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended, regarding information contained in prospectuses.
Samsung .....	Samsung Heavy Industries.
Seatankers .....	Seatankers Management Co. Ltd.
Seatankers Guarantees.....	Means certain corporate guarantees issued by Seatankers in favour of DSME as security for the purchase price under certain of the shipbuilding contracts of FLEX Enterprise and FLEX Endeavour.
Shares .....	Ordinary shares in the Company, each with a par value of USD 0.01.
Sterna Finance .....	Sterna Finance Ltd.
TCP .....	Time Charter Party.
Transaction .....	Means the acquisition of the Newbuildings, as further described in Section 7.1.
UK Bribery Act.....	The Bribery Act 2010 of the United Kingdom
US GAAP .....	Generally accepted accounting principles in the USA.
U.S. Securities Act .....	The United States Securities Act of 1933, as amended.
Vessels.....	Has the meaning ascribed to it in Section 8.1.
VPS .....	The Norwegian Central Securities Depository (Nw. <i>Verdipapirsentralen</i> ).
VPS Registrar .....	DNB Bank ASA as VPS registrar.

X-DF.....	Generation X Dual Fuel.
2017 Private Placement .....	Means the two private placements undertaken by the Company in 2017.
2017 Transactions .....	Means the transactions undertaken by the Group in 2017 whereby it entered into the shipbuilding contracts for FLEX Enterprise, FLEX Endeavour, FLEX Ranger and FLEX Rainbow.

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## APPENDIX A – FINANCIAL STATEMENTS



# **FLEX LNG**

**Interim Financial Information**

**Flex LNG Ltd.**

**Second Quarter 2018**  
**28 August 2018**

28 August 2018 - Hamilton, Bermuda

Flex LNG Limited. (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 and six months ended 30 June 2018.

### Highlights for Second Quarter of 2018:

- 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 (“Rainbow SLB”) of the LNGC newbuilding Flex Rainbow with an Asian 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 28 May 2018 Flex LNG entered into an agreement to acquire two 174,000 CBM LNGC newbuildings fitted with low pressure two stroke engines (X-DF) under construction at HHI for an attractive price of \$184 million each vessel which includes building supervision. Payment terms are favorable with 20 per cent due following signing of the purchase agreement with remaining 80 per cent payable at delivery. Seller is funding part of pre-delivery capex which illustrates commitment and support of the largest shareholder.
- On 22 June 2018 Flex LNG successfully took delivery of its third LNGC newbuildings the Flex Ranger from Samsung Heavy Industries (“SHI”) in South Korea.
- Reported Revenues for the second quarter 2018 of \$7.0 million compared to \$8.0 million in second quarter 2017 and for the first half of 2018 \$22.1 million compared to \$9.7 million for first half of 2017.
- Reported a positive EBITDA of \$3 million compared to a negative EBITDA of \$7.4 million in second quarter 2017. The EBITDA for the first half of 2018 was \$5.4 million compared to a negative EBITDA for first half of 2017 of \$9.8 million.
- Reported Net Loss for the second quarter and the first half of 2018 of \$2.9 million and \$4.6 million respectively, compared to a Net Loss in second quarter and first half of 2017 of \$ 6.7 million and \$7.6 million respectively.

#### Subsequent Events:

- On 9 July 2018, the Company took delivery of Flex Rainbow from Samsung Heavy Industries according to schedule. The Flex Rainbow is the Company's fourth LNGC on the water while four LNGCs are currently under construction. Flex Rainbow is a large state-of-the-art 174,000 cbm LNG carrier with fifth generation ME-GI machinery giving considerable fuel savings compared to traditional LNG carriers.
- On 12 July 2018 Flex Rainbow entered into a 6+3 months Time Charter with a major European energy company following mobilization at yard in South Korea.
- On 12 July 2018 the Company announced that it has executed the Rainbow Sale and Lease Back (SLB) which was announced in connection with the first quarterly presentation, 29 May 2018. The acquisition of the two LNG carrier newbuildings with X-DF machinery from an affiliate of the Company's largest shareholder, Geveran Trading & Co Ltd ("Geveran"), announced on 29 May 2018 was subject to final documentation and execution of the Rainbow SLB.
- On 1 August 2018, the Company announced the appointment of Øystein M. Kalleklev as Chief Executive Officer of Flex LNG Management AS, the main management company of Company. Mr. Kalleklev will also serve as Chief Financial Officer until a suitable candidate has been recruited to this position.
- On 1 August 2018 Marius Foss also joined the Company as Head of Commercial and Operations. With these changes the Board has increase 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 main focus going forward.

#### Øystein M Kalleklev, CEO/CFO commented:

*"During the first half of 2018, Flex LNG delivered unsatisfactory financial results due to disappointing utilization of Flex Enterprise which has operated in the spot market in this period. As we are in the start-up phase, one idle vessel makes a big impact on our financial accounts. We are however making good progress on building a very substantial LNG shipping company based on large modern fuel efficient LNG carriers which we are very confident will be the preferred vessels in the increasing market for seaborne transportation of LNG. As we remain confident that the market will become tighter going forward we do expect that our financial performance will improve given the fact that we are well positioned with our current fleet of modern LNG carriers."*

## Business Update

The Company today has four vessels on the water and four additional newbuildings set for delivery in 2019-2020, increasing the fleet to a total of eight high-end LNG carriers. The vessels currently in operation and under construction, will meet a significant increase in new LNG production capacity. . Increased LNG supply/demand coupled with increased sailing distances due to particularly US and Russian volumes as well as increased trading activity provides a sound fundamental outlook for the seaborne LNG transportation. Charter rates, both spot and longer term, have gradually improved during the last twelve months. We are highly confident that Charterers will prefer the substantial improvement in unit transportation cost of larger and more fuel efficient vessels and that our fleet will thus reap premium rates compared to older tonnage based on steam turbine or four stroke medium speed diesel electric propulsion. During the first half of the year, Flex LNG has incrementally built backlog with top tier charters at gradually better terms as the market for seaborne transportation of LNG has improved during the last twelve months and is expecting to continue improving in the near term.

## Results for the Three and Six Months Ended 30 June 2018

The Company reports a net loss of \$2.9 million and loss per share of \$0.01 for the second quarter of 2018 compared with a net loss of \$6.7 million and a loss per share of \$0.02 for the second quarter of 2017. Net loss for the first half of 2018 was \$4.6 million compared to net loss of \$7.6 million in the first half of 2017.

Vessel operating revenues amounted to \$7.0 million and \$22.1 million in the second quarter and first half of 2018, respectively. During first quarter 2018, the Company had two chartered-in vessels in addition to its owned vessels Flex Endeavour and Flex Enterprise. The time charter vessels were redelivered at the end of first quarter 2018. Vessel operating revenues for the second quarter and first half of 2017 was \$8.0 million and \$9.7 million respectively.

Vessel operating costs, including the costs to charter in vessels, voyage related costs, broker commissions and technical operating expenses (such as crewing, insurance, lubes and repairs & maintenance) amounted to \$3.1 million and \$15.0 million in the second quarter and first half of 2018, respectively. The costs first half 2018 included \$6.1 million in relation to vessels chartered in, which were redelivered end of first quarter. Administrative expenses of \$0.9 million in the second quarter of 2018 were comparable with the second quarter of 2017.

The Company's cash balances increased by \$38.6 million in the second quarter to \$77.6 million. In the first half of 2018 the operating cash inflow was \$5.4 million. During the first half of 2018, capital expenditures was \$263.4 million of which \$189.8 million was related to investment in newbuildings under construction while \$73.6 million was related to advance payments made in relation to the two newbuildings acquired on 28 May 2018 from an affiliate of Geveran. During first half of 2018, net cash flow from financing activities was \$ 325.6 million. \$428.7 million was issuance of new debt hereunder \$ 315 million drawn under the TLF and gross drawings of \$113.6 million under the Sterna RCF. During the first half of 2018, the Company also repaid \$102.6 million of debt of which \$100 million

relates to gross repayment of Sterna RCF while the remaining \$2.6 million was related to ordinary installments under the TLF. Thus the net drawings under the Sterna RCF for the first half of 2018 were \$13.6 million.

## Financing

In December 2017 the Company signed a \$315 million 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 \$105 million were utilized in connection with deliveries of Flex Endeavour and Flex Enterprise in January 2018. The remaining \$105 million loan tranche was utilized in connection with the delivery of Flex Ranger which was delivered 22 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. For more info about the TLF, please see note 6.

The Rainbow SLB which was announced in connection with the 2018 first quarter earnings release was executed 12 July 2018 subsequent to the delivery of newbuilding from SHI which was 9 July 2018. The Rainbow SLB is with an Asian lessor based on term sheet signed on 20 March 2018. The sale price under the lease is approx. 75% of the relevant ship building price for Flex Rainbow and the remaining 25% represent the advance hire for the ten year lease period. The LNGC will be leased back to Flex LNG Rainbow Ltd, a subsidiary of Flex LNG, for a period of ten years. Flex LNG will be granted a purchase option from 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 \$315 million 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 Company has as of 30 June 2018 a \$270 million revolving credit facility in place with Sterna Finance Limited (the “Sterna RCF”) which is utilized by \$173.6 million 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. The Sterna RCF was re-paid in full 13 July 2018 subsequent to the execution of the Rainbow SLB described above. The full amount under Sterna RCF is however free an available until twelve moths following delivery of Flex Courageous after which the lender can request a reduction in the facility from \$270 million to \$30 million. The remaining \$30 million will however be available until 1 July 2023 unless otherwise agreed. For more info about the Sterna RCF, please see note 6.

## LNG Market Outlook and Strategy

The market for seaborne transportation of LNG improved markedly during the second quarter where the primary driver was the nearly 50 per cent increased imports to China and also general high demand growth in other more mature markets. Bloomberg New Energy Finance estimate demand growth of approximately 7.2%, in 2018 adding 20MMtpa to the global market which will reach a total of 305MMtpa. China will still lead in terms of growth, but South and Southeast Asia will experience their strongest annual growth in recent years, becoming another major growth engine in 2018 and into 2019. The growth in imports is driven by the public and private initiatives to switch from coal to natural gas in order to improve local air quality in the major cities as well as reduce emissions of greenhouse gases.

Cove Point became the second U.S. liquefaction plant fully operational, after the first cargo was exported out in March 2018. 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. However, there have been some delays in commissioning of liquefaction trains. Elba Island start-up is now postponed from third to fourth quarter of 2018. Cameron LNG is delayed until first quarter 2019 and Freeport LNG is also experiencing delays. Freeport LNG is now expected to start producing from first train in September 2019 which is about nine months later than intended. An estimate of 28 vessels were ordered specifically for the two latter LNG export terminals and some of these LNGCs are expected to come to market ahead of their intended projects. 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 are expected to be delivered in total for 2018. Demand growth has been driven primarily from Asia with China committed to diversifying its energy portfolio to focus on cleaner energy sources to improve the air quality in metropolitan areas. Europe is also expected to increase its LNG imports during the year due to improved general macroeconomic conditions.

Flex LNG expects the coming growth of LNG production and the expected growth in demand for natural gas in combination with the limited available open vessels to gradually tighten the shipping market.



## **Second Quarter Result Presentation**

Flex LNG will release its financial results for the quarter and half year ended 30 June 2018 on Tuesday 28 August 2018 on or about 07:00 am CEST.

In connection with the earnings release, a webcast and conference call will be held at 09:00 a.m. CEST. In order to attend the webcast and/or conference call you may do one of the following:

### **Attend by Webcast:**

Use the following link prior to the webcast: <https://edge.media-server.com/m6/p/wqq76av7>

### **Attend by Conference Call:**

Applicable dial-in telephone numbers are as follows:

Norway: +47 2100 2610

United Kingdom: +44 (0)330 336 9127

United States: +1 929-477-0448

Confirmation Code: 5182832

A Q&A session will be held after the teleconference/webcast. Information on how to submit questions will be given at the beginning of the session. The presentation material which will be used in the teleconference/webcast can be downloaded on **[www.flexlng.com](http://www.flexlng.com)** and replay details will also be available at this website.



## Forward-Looking Statements

This report has been produced by Flex LNG Ltd. (“Flex LNG” or “the Company”), solely for information purposes and does not purport to give a complete description of the Company, its business or any other matter described herein.

The report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words “believes”, “expects”, “intends”, “plans”, “estimates” and similar expressions.

The forward-looking statements contained in this presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide assurance that the assumptions underlying such forward-looking statements are free from errors nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments.

No obligation is assumed to update any forward-looking statements or to confirm these forward-looking statements to actual results.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward looking statements include the strength of the world economies, fluctuations in currencies and interest rates, general market conditions, change in governmental rules and regulations or actions taken by regulatory authorities.

Certain information and statistics contained herein have been derived from several sources. You are hereby advised that such industry data and statistics have not been prepared specifically for inclusion in these material and Flex LNG has not undertaken any independent investigation to confirm the accuracy or completeness of such information.



Board of Directors of FLEX LNG Ltd.

28 August 2018

David McManus

Marius Hermansen

Ola Lorentzon

Georgina E. Sousa

Nikolai Grigoriev

**Interim Financial Report**  
**Condensed Consolidated Income Statement**

*(Unaudited figures in USD,000)*

30 June 2018					
	Q2 18	Q2 17	H1 2018	H1 2017	2017
<b>Vessel operating revenues</b>	<b>7,048</b>	<b>8,012</b>	<b>22,100</b>	<b>9,710</b>	<b>27,329</b>
Vessel operating costs	(3,108)	(14,444)	(15,017)	(17,744)	(36,532)
Administrative expenses	(929)	(996)	(1,726)	(1,769)	(3,409)
<b>Operating income (loss) before</b>	<b>3,011</b>	<b>(7,428)</b>	<b>5,357</b>	<b>(9,803)</b>	<b>(12,612)</b>
Depreciation	(2,753)	—	(5,063)	1	(2)
<b>Operating income (loss)</b>	<b>258</b>	<b>(7,428)</b>	<b>294</b>	<b>(9,802)</b>	<b>(12,614)</b>
Finance income	79	57	252	58	123
Finance cost	(3,174)	—	(5,145)	(234)	(234)
Other financial items	(20)	719	(36)	2,346	2,335
<b>Income (loss) before tax</b>	<b>(2,857)</b>	<b>(6,652)</b>	<b>(4,635)</b>	<b>(7,632)</b>	<b>(10,390)</b>
Income tax expense	—	5	2	9	(17)
<b>Net income (loss)</b>	<b>(2,857)</b>	<b>(6,657)</b>	<b>(4,633)</b>	<b>(7,641)</b>	<b>(10,407)</b>
<b>Attributable to:</b>					
Equity holders of the parent	(2,857)	(6,657)	(4,633)	(7,641)	(10,407)
<b>Earnings per share:</b>					
Basic and diluted	(0.01)	(0.02)	(0.01)	(0.03)	(0.03)

**Condensed Consolidated Statement of Comprehensive Income**

*(Unaudited figures in USD,000)*

30 June 2018					
	Q2 18	Q2 17	H1 2018	H1 2017	2017
<b>Income (loss) for the period</b>	<b>(2,857)</b>	<b>(6,657)</b>	<b>(4,633)</b>	<b>(7,641)</b>	<b>(10,407)</b>
Total other comprehensive profit	—	—	—	—	—
<b>Total comprehensive income (loss) for the period</b>	<b>(2,857)</b>	<b>(6,657)</b>	<b>(4,633)</b>	<b>(7,641)</b>	<b>(10,407)</b>
<b>Attributable to:</b>					
Equity holders of the parent	(2,857)	(6,657)	(4,633)	(7,641)	(10,407)

## Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

<b>30 June 2018</b>				
	<b>Note</b>	<b>H1 2018</b>	<b>H1 2017</b>	<b>2017</b>
New building assets and capitalized costs	3	173,845	591,385	594,937
Vessel purchase prepayment	3	145,878	72,000	72,000
Vessels and equipment	3	607,289	5	3
<b>Total non-current assets</b>		<b>927,012</b>	<b>663,390</b>	<b>666,940</b>
Inventory		2,615	2,169	1,041
Other current assets		1,520	4,230	6,568
Cash and cash equivalents	4	77,584	18,754	9,961
<b>Total current assets</b>		<b>81,719</b>	<b>25,153</b>	<b>17,570</b>
<b>TOTAL ASSETS</b>		<b>1,008,731</b>	<b>688,543</b>	<b>684,510</b>
Share capital		3,680	3,680	3,680
Share premium		885,388	885,417	885,323
Other equity		(373,568)	(366,153)	(368,902)
Equity attributable to equity holders of the parent		515,500	522,944	520,101
<b>Total equity</b>		<b>515,500</b>	<b>522,944</b>	<b>520,101</b>
Long-term debt	6	467,995	160,000	160,000
<b>Total non-current liabilities</b>		<b>467,995</b>	<b>160,000</b>	<b>160,000</b>
Current liabilities		10,798	5,599	4,409
Short term portion of long-term debt		14,438	—	—
<b>Total current liabilities</b>		<b>25,236</b>	<b>5,599</b>	<b>4,409</b>
<b>Total liabilities</b>		<b>493,231</b>	<b>165,599</b>	<b>164,409</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,008,731</b>	<b>688,543</b>	<b>684,510</b>

### Condensed Consolidated Statement of Cash Flows

<i>(Unaudited figures in USD,000)</i>					
<b>30 June 2018</b>	<b>H1 2018</b>	<b>Q2 2018</b>	<b>H1 2017</b>	<b>Q2 2017</b>	<b>2017</b>
(Loss) before tax	(4,635)	(2,857)	(7,632)	(6,652)	(10,390)
Working capital adjustments	4,969	6,872	(1,784)	836	(5,101)
Other non-cash items	5,113	2,790	(2,292)	(903)	(2,232)
<b>Net cash flow from operating</b>	<b>5,447</b>	<b>6,805</b>	<b>(11,708)</b>	<b>(6,719)</b>	<b>(17,723)</b>
Newbuilding capex	(189,839)	(110,187)	(2,965)	(1,904)	(5,714)
Advance payment for new build assets	(73,600)	(73,600)	(72,000)	(72,000)	(72,000)
<b>Net cash flow used in investing</b>	<b>(263,439)</b>	<b>(183,787)</b>	<b>(74,965)</b>	<b>(73,904)</b>	<b>(77,714)</b>
Net proceeds from issue of share	—	—	220,988	124,570	220,988
Net proceeds from issuance of debt	428,688	218,688	—	—	—
Repayment of debt	(102,625)	(2,625)	(117,000)	(40,000)	(117,000)
Other	(448)	(480)	—	—	(29)
<b>Net cash flow from financing</b>	<b>325,615</b>	<b>215,583</b>	<b>103,988</b>	<b>84,570</b>	<b>103,959</b>
<b>Net cash flow</b>	<b>67,623</b>	<b>38,601</b>	<b>17,315</b>	<b>3,947</b>	<b>8,522</b>
Cash balance at beginning of period	9,961	38,983	1,439	14,807	1,439
<b>Cash balance at end of period</b>	<b>77,584</b>	<b>77,584</b>	<b>18,754</b>	<b>18,754</b>	<b>9,961</b>

## Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

30 June 2018	Share capital	Share premium reserve	P&L reserve	Additional paid in capital	To equity holders
<b>At 01.01.18</b>	<b>3,680</b>	<b>885,323</b>	<b>(379,530)</b>	<b>10,628</b>	<b>520,101</b>
Loss for the period	—	—	(4,633)	—	(4,633)
Other comprehensive income	—	—	—	—	—
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(4,633)</b>	<b>—</b>	<b>(4,633)</b>
Shares issued	—	65	—	(33)	32
Share issuance costs	—	—	—	—	—
Share-based payment (shares)	—	—	—	—	—
<b>At 30.06.18</b>	<b>3,680</b>	<b>885,388</b>	<b>(384,163)</b>	<b>10,595</b>	<b>515,500</b>

30 June 2017	Share capital	Share premium reserve	P&L reserve	Additional paid in capital	To equity holders
<b>At 01.01.17</b>	<b>1,279</b>	<b>563,174</b>	<b>(369,122)</b>	<b>10,611</b>	<b>205,942</b>
Loss for the period	—	—	(7,643)	—	(7,643)
Other comprehensive income	—	—	—	—	—
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(7,643)</b>	<b>—</b>	<b>(7,643)</b>
Shares issued	2,401	326,724	—	(49)	329,076
Share issuance costs	—	(4,481)	—	—	(4,481)
Share-based payment (shares)	—	—	—	50	50
<b>At 30.06.17</b>	<b>3,680</b>	<b>885,417</b>	<b>(376,765)</b>	<b>10,612</b>	<b>522,944</b>



## 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 seaborne LNG transportation. The interim condensed consolidated financial statements of the Company for the quarter and six month ended 30 June 2018 were authorized by the Board of Directors for release on 28 August 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 (“USGAAP”), 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 expected economic life 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**

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 June 30, 2018 was \$0.7 million. These provisions are related to various disputes regarding fuel consumption of vessels.

### **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. In comparison, the technical fatigue life of LNGCs and are generally 40 years which is also in line with observed retirement age.

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.

On 22 June 2018 Flex LNG successfully took delivery of its third LNG carrier newbuilding the Flex Ranger.

On 28 May Flex LNG entered into an agreement to acquire two 174,000 CBM X-DF LNGC newbuildings under construction at HHI for \$ 184 million each, which includes newbuilding supervision. 20 per cent was due following signing of such agreement while remaining 80 per cent is due at delivery. The Company has made advance payments of \$73.6 million which are recorded as vessel purchase prepayments as 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 LNG at the date of delivery.

In relation to the two LNGCs that will be delivered in 2019, the Company made advance payments of \$72.0 million in the second quarter of 2017 representing 20 per cent of the purchase price, 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 LNG at the date of delivery.

As of 30 June 2018, the Company currently has five newbuildings under construction. The Flex Rainbow is under construction with SHI and was delivered on 9 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. The Flex Aurora and Flex Amber (former Flex America) are under construction at HHI and are due for delivery in the second and third quarter of 2020.

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)*

	Q2 2018	Q2 2017
Cash at bank and in hand	77,584	18,754

As of 30 June 2018, the Company has \$96.4 million of undrawn credit under the Sterna RCF.

## Note 5: Capital & other commitments

The remaining capital commitments as 30 June 2018 are detailed in the table below.

<b>USD million (unaudited)</b>	<b>Q3 2018</b>	<b>Q2 2019</b>	<b>Q3 2019</b>	<b>Q4 2019</b>	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Total</b>
SHI HN 2108, LNGC	42.4	—	—	—	—	—	—	<b>42.4</b>
DSME HN 2470, LNGC	—	144.0	—	—	—	—	—	<b>144.0</b>
DSME HN 2471, LNGC	—	—	144.0	—	—	—	—	<b>144.0</b>
HHI HN 8010, LNGC	—	—	—	—	—	147.2	—	<b>147.2</b>
HHI HN 8011, LNGC	—	—	—	—	—	—	147.2	<b>147.2</b>
<b>Total</b>	<b>42.4</b>	<b>144.0</b>	<b>144.0</b>	<b>—</b>	<b>—</b>	<b>147.2</b>	<b>147.2</b>	<b>147.2</b>

Remaining Capex, excluding, supervision, future change requests, sundry buyers' supplies, fit out, studies and lub oils. SHI HN 2018 (Flex Rainbow) was delivered from yard on 9 July 2018.

## Note 6: Other financial liabilities

### \$315 million Secured Term Loan Facility

On 20 December 2017 the Company signed a \$315 million 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 2017 and two loan tranches of each \$105 million were utilized in connection with the two newbuilding deliveries in January 2018. The remaining \$105 million loan tranche was utilized in connection with the delivery of Flex Ranger in 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 given delivery of Flex Ranger on 22 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 the 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.

### **\$270 million 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 \$30 million 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 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 30 June 2018 the amount outstanding under the Sterna RCF was \$173.6 million, \$96.4 million is thus available and undrawn 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 Rainbow SLB, 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 Flex Rainbow which was as of 30 June 2018 under construction at SHI. For the DSME and HHI newbuildings, supervision costs are included in the purchase price. In the six month period to 30 June 2018, costs of \$1.4 million have been capitalized, of which \$1.4 million is outstanding at the period end.

Flex LNG receives staff, office, commercial, legal and accounting support from companies affiliated to Geveran and has accrued costs of approximately \$0.5 million in this respect.

### **Acquisition of two LNG carriers from Geveran**

As described in the Company's first quarter financial report 2018, the acquisition of two LNG carrier newbuildings with X-DF machinery from an affiliate of Geveran. These vessels are scheduled for delivery in 2020 and the transaction was subject to final documentation and execution of the Rainbow SLB. The closing condition for this

acquisition was fulfilled with the execution of the Rainbow SLB on 12 July 2018. The purchase price for the vessels was agreed at \$184 million each vessel which includes building supervision. Payment terms are favorable with 20 per cent of amount due following signing of the purchase agreement while remaining 80 per cent is payable at delivery. Hence seller is funding part of pre-delivery capex which illustrate commitment and support of the largest shareholder.

## **Note 9: Subsequent events**

### **Delivery of Flex Rainbow**

The Company took delivery of Flex Rainbow from Samsung Heavy Industries according to schedule 9 July 2018. The Flex Rainbow is the Company's fourth LNG carrier on the water while four LNG carriers are currently under construction. Flex Rainbow is a large state of the art 174,000 cbm LNG carrier with fifth generation ME-GI machinery giving considerable fuel savings compared to traditional LNG carriers.

### **Sale Lease back of Flex Rainbow, and Time charter contract**

On 12 July 2018 Flex LNG Rainbow Limited announced that it has executed the sale leaseback transaction of Flex Rainbow which was announced in connection with the first quarterly presentation on 29 May 2018. On 12 July 2018 Flex Rainbow entered into a 6+3 months Time Charter with a major European energy company following mobilization at yard in South Korea.

### **Acquisition of two LNG carriers from Geveran**

Further information is provided in note 8,

### **Management changes**

On 1 August 2018 Øystein M. Kalleklev was appointed Chief Executive Officer of Flex LNG Management AS, the main management company of the Flex LNG Group. Mr. Kalleklev has served as Chief Financial Officer since October 2017. Mr. Kalleklev will also continue to serve as Chief Financial Officer until a suitable candidate have been identified and recruited to this position.

On 1 August 2018 Marius Foss also joined the Company as Head of Commercial and Operations.

## Note 10: Key Figures

	H1 2018	H1 2017	2017
No. of shares fully diluted	367,972,382	367,935,181	367,972,382
No. of shares outstanding	367,972,382	367,935,181	367,972,382
Average no. of outstanding shares	367,972,382	247,635,957	307,639,159
Share price (NOK)	12.35	10.50	12.95
Market capitalization (NOK'm)	4,544	3,863	4,765

## Top 10 Shareholders as of 30 June 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	8,968,830	2.4%
Fidelity Puritan Trust: Fidelity	5,399,800	1.5%
UBS AG <sub>1</sub>	5,000,000	1.4%
State Street Bank <sub>1</sub>	4,616,496	1.3%
Catella Hedgefond	4,605,963	1.3%
Euroclear Bank S.A/N.V <sub>1</sub>	4,458,482	1.2%
Goldman Sachs & Co. LLC <sub>1</sub>	4,407,152	1.2%
Other	120,172,613	32.7%
<b>Total</b>	<b>367,972,382</b>	<b>100.0%</b>

<sub>1</sub> Nominee account



## **INTERIM REPORT JANUARY - JUNE 2018**

### **Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with U.S generally accepted accounting principles, and give a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

The Board of Directors

FLEX LNG Ltd.

Hamilton, Bermuda

28 August 2018



# FLEX LNG

**Flex LNG Offices:**



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Singapore 078881



# **FLEX LNG Group**

## **Consolidated and Company Annual Report and Financial Statements 2017**





# General Information, FLEX LNG Ltd.

## Directors

David McManus (Chairman)

Marius Hermansen

Ola Lorentzon

Georgina Sousa

Nikolai Grigoriev

## Company Secretary

Georgina Sousa

PO Box HM 1593

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Bermuda

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Hamilton

Bermuda

## Auditors

Ernst & Young AS

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P.O. Box 6163 Postterminalen

NO-5892 Bergen, Norway



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Douglas, IM99 1AJ  
Isle of Man

ABN AMRO  
Olav V's Gate 5  
0161 Oslo  
Norway

Dnb Bank ASA  
Postboks 1600, Sentrum  
0021 Oslo  
Norway

Lloyds  
PO Box 328, Victory House  
Douglas, IM99 3JY  
Isle of Man

RBS  
280 Bishopsgate,  
London, EC2M 4RB  
United Kingdom



## Chairman's Statement

2017 was a transformative year for the FLEX LNG Group, as we readied ourselves to take delivery of our first two owned vessels, participated in the spot and short term market through a number of chartered vessels and positioned ourselves for further growth in 2018. As part of making FLEX LNG more visible for investors and to facilitate easier trading liquidity we transferred our shares from Oslo Axess to the main Oslo Børs listing.

During the course of the year FLEX LNG strengthened its executive team. In addition to Mr. Jonathan Cook who joined as Chief Executive Officer in March 2017, Messrs Thomas Thorkildsen and Øystein Kalleklev joined the executive team as Senior Vice President of business development and Chief Financial Officer respectively. Messrs Thorkildsen and Kalleklev have comprehensive industry experience derived from their times in similar roles with Hoegh LNG and Knutsen NYK respectively. I strongly believe that this team is well suited to lead the Company over the coming years.

In order for the company to establish a presence in the LNGC market and to build an operational track record, during 2017, the company chartered-in a number of LNGC's in advance of taking delivery of its newbuildings. These chartering activities have, in addition to building an operational track record, put FLEX in an informed position to actively market its owned MEGI LNGCs ahead of their respective deliveries.

As part of the development and expansion of FLEX, the company had entered into agreements to acquire six M-type, Electronically Controlled, Gas Injection ("MEGI") LNGCs. I am glad to inform that we took delivery of the first two vessels in January 2018 and that the construction of the remaining four vessels is progressing according to schedule.

Last year we raised capital in order to finance the growth of the company. Three different types of financing were put in place. First we issued 239.9 million new shares raising USD 329m. Second we agreed a USD 270m revolving credit facility with Sterna Finance Ltd., and last we finalised and agreed a USD 315m secured term loan facility with six banks. I believe that the combination of these financing arrangements gives the company the financial flexibility and strength it needs to become a leading company in the LNGC business.

It is clear that the globalization of the LNG markets continues to develop with LNG increasingly being traded as a global commodity. Historically, intra-basin trade in the Atlantic and the Pacific has been a large component of the LNG shipping market. We observe that this has begun to change as U.S. and Australian export capacity continues to ramp up, coupled with import countries striving to ease trading restrictions and new markets for LNG opening up, assisted by the growth of Floating Storage Regasification Units ("FSRUs"). We believe that the strengthening market sentiment will continue and that our state of the art MEGI vessels will ultimately command a premium in the market given their larger cargo capacity and significantly lower fuel consumption.

As part of our Business Development activities we continue to look at opportunities to add further premium carriers into our portfolio and examine opportunities to participate in the FSRU market.

David McManus

Chairman



## Letter from the CEO

In January 2018 we reached a milestone as a company. We successfully took delivery of the two first newbuilding's, the Flex Endeavour and Flex Enterprise. Flex Endeavour entered a 15 months time charter subsequent to delivery while the second vessel is operating in the growing spot market. Furthermore, we have two LNGCs currently under construction at Samsung Heavy Industries which are scheduled to be delivered in the second and third quarters of 2018 and also final two LNGCs under construction at Daewoo Shipbuilding & Marine Engineering with scheduled delivery in second and third quarters of 2019. We continue to execute our chartering strategy to secure balanced fleet employment as the market continues to improve due to expected tighter supply/demand dynamics in the LNG shipping market.

During 2017 the company entered into four separate LNGC time charters for 180 days with options to extend for a further 180 days. We actively sub-chartered these LNGCs in the spot and short term market to a wide range of LNG charterers establishing FLEX LNG's market presence. Two of the four vessels were redelivered in September 2017 while we elected to exercise the extension options on the other two chartered-in vessels. These vessels were then out-chartered at profitable rates through to the end of first quarter of 2018.

As of 31 December 2017, FLEX LNG controls a fleet of six M-type, Slow-Speed Diesel with Gas Injection ("MEGI") LNGCs, including newbuildings under construction. MEGI LNGCs are among the most technically advanced vessels in the world and offer superior fuel savings and earnings capacity as compared to previous generations of LNGCs. We believe that this defines FLEX LNG as an emerging leader in the Liquefied Natural Gas shipping and floating regasification markets.

FLEX LNG expects a gradually tightening of the LNG shipping market in the coming years due to high growth in LNG production, higher demand for natural gas, as utilities are switching from coal to cleaner natural gas, and the increased sailing distances. As such, FLEX LNG is well positioned with two LNG MEGI ships on the water, as of January 2018, and another four newbuilding's set for delivery over the next 18 months. FLEX LNG believes that the strengthening market sentiment will continue and that our state-of-the-art MEGI vessels will command a premium in the market. We are actively marketing the LNGCs in both the term and spot markets to secure an optimal position in the improving market.

For the future the Company will continue to take a proactive approach and explore further transactions. We constantly evaluate opportunities in the charter, newbuilding and second-hand markets. The company has significant financial flexibility to pursue transformational deals due to the continued support of its largest shareholder.

We in FLEX LNG also continue to actively pursuing opportunities to leverage our experience towards the implementation of FSRU projects. We will however emphasise that no such opportunities will be committed to on a speculative basis. Projects will only be pursued where there is a tangible long-term contract with bankable counterparties and project structures.

Jonathan Cook

Chief Executive Officer



## BOARD OF DIRECTOR'S REPORT 2017

### Business update

During 2017 FLEX LNG further expanded and now controls a fleet of six M-type, Slow-Speed Diesel with Gas Injection ("MEGI") LNGCs. Two of the LNGCs were delivered by Daewoo Shipbuilding and Marine Engineering Co. Ltd. ("DSME") in January 2018, two 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, and two LNGCs are expected to be delivered to the Company by DSME in second and third quarters of 2019. MEGI LNGCs are among the most technically advanced vessels in the world and offer superior fuel savings and earnings capacity as compared to previous generations of LNGCs. This is inline with FLEX LNG strategy and vision to be a leading company in the LNGC market.

These transactions consolidated all of Geveran's LNG assets and activities into FLEX LNG, which now is well positioned to capitalise on the expected growth in demand for LNG shipping. The growth in shipping demand will be driven by the substantial increase in global LNG production together with the future growth of global energy demand.

In addition to the expansion of self-owned ships the Company entered into four separate LNGC time charters for 180 days with an option to extend for a further 180 days in. The Company actively sub-chartered these LNGCs in the spot and short term market to a wide range of LNG charterers. At the end of the third quarter the Company elected to redeliver two of the four vessels. The two remaining vessels secured profitable employment for the duration of the optional extension period through to the end of first quarter of 2018. These two extensions have had a positive contribution to the Company's earnings, which lead to a fourth quarter with operational net income. The Company will continue to evaluate opportunities to charter in third party LNGCs to the extent that they will provide a positive contribution to earnings, although the Company's primary commercial focus is to secure attractive employment for its newbuildings.

As of 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.

### Financing update

In connection with expansion of the fleet, the company issued approximately 239.9 million new shares of which 78 million shares were issued as payment in kind to Geveran for ownership in two DSME LNGCs. The cash proceeds of approximately \$225m from sale of the remaining 161.9 million shares has been utilised to fund the newbuilding program. 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), DSME 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 \$105m were utilized in connection with the two newbuilding deliveries in January 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 given expected delivery of FLEX RANGER in May 2018. The remaining \$105m loan tranche is expected to be utilized in connection with the delivery of FLEX RANGER.

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 the 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. The financial covenants for the TLF are not linked to



earnings, but rather balance sheet values of 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.

In order to alleviate financing risk for the remaining three vessels, the \$270 million Sterna RCF has been amended and the full amount will now be available until 12 months following delivery of all the remaining for LNGC newbuildings. Thereafter \$30m will be available for working capital until the maturity of the TLF, unless otherwise agreed. The Sterna RCF relinquished security in the initial DSME LNGCs and has secured its loan by share pledge in the remaining three newbuildings. 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.

### **LNG Market outlook and strategy**

The LNG shipping market is expected to continue to tighten throughout H2 2018 and through 2019. Seasonality and its winter peak in 2017 brought a welcome boost in demand for LNG shipping. The arbitrage window between European and Asian LNG prices stayed open and increased demand for spot vessels loading out of European ports - so called "re-loads".

Headline rates increased from approximately \$30k in July 2017 to \$80k in December 2017, but have decreased to approximately \$53k in March 2018. The ballast bonus component improved from fuel only/partial hire to full Round-Trip economics. The lack of vessel availability in the Atlantic meant Charterers agreed to position vessels in from the Middle East, or even Far East, to cover their requirements. In addition, there was an increased activity in short-term fixtures with a total of 13 vessels put way on multi-month charters in Q4 2017.

Russia's new liquefaction plant, Yamal LNG, began producing cargoes in November. The project is based on the Yamal peninsula, above and the Arctic Circle and is a joint-venture of NOVATEK (50.1%), TOTAL (20%), CNPC (20%) and Silk Road Fund (9.9%). This is Russia's second LNG export project, after Sakhalin LNG. Yamal LNG will have a nameplate capacity of 16.5 mtpa of LNG which will be shipped to Asia-Pacific and European markets.

Yamal is the latest example that LNG export capacity continues to increase. Next to start up is Cove Point, which will be the second U.S. liquefaction project coming on-stream. Commissioning cargoes were exported out from its terminal in March 2018. Several vessels earmarked for the project which have been operating in the spot market while waiting for the project to start up.

Cameron LNG is delayed until Q1 2019 and Freeport LNG is experiencing delays and is expected to start producing in September 2019. Up to 28 vessels were ordered specifically for these projects and might 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. Up to five vessels have been fixed on multi-month charters basis to bridge the gap.

Global demand for seaborne LNG continued to grow in 2017. For the full year 2017, 291 million tones of LNG were exported, up 11% year-on-year, or 29 mt. The LNGC fleet now exceeds 450 vessels with 24 vessels delivered in 2017, and another 54 to be delivered in 2018. Demand growth has been driven primarily out of Asia, with Japan, South Korea, China, India and Taiwan all showing strong annualized growth. In particular, demand from China has increased by over 45% year on year. The Government of China is committed to diversifying its energy portfolio to focus on clean energy sources and improve air quality. This effort was intensified leading into the winter, as authorities began to aggressively cut coal use in an attempt to speed up the



switch to natural gas. Europe also saw an increase of 10% in LNG imports during the year, largely due to low LNG prices in the first half, and reload activities in the second half.

Significant LNG export capacity will come online over the next five years against this backdrop of growing demand for gas, which is expected to maintain LNG as a competitively priced energy commodity. This will be a positive driver for down stream product demand as well as the demand for shipping. It will also be a significant driver for the interest in floating terminals to remain high, together with their general flexibility and fast track implementation. The floating terminals will continue to open up new markets for LNG, which will also have a positive effect for shipping demand.

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 over the course of the next 12 to 18 months. As such, the Company is well positioned with two LNG MEGI ships on the water, as of January 2018, and another four newbuildings set for deliveries over the next 18 months. We believe that the strengthening market sentiment will continue and that our state-of-the-art MEGI vessels will command a premium in the market. The Company is actively marketing the LNGCs in both the term and spot markets to secure an optimal position in the improving market.

The Company will continue to have a proactive approach to further accretive structural transactions. It is constantly evaluating opportunities in the charter, newbuild and second-hand market and actively pursuing opportunities to leverage our experience towards the implementation of FSRU projects. We will however emphasize that no such opportunities will be committed to on a speculative basis. Projects will only be pursued where there is a tangible long-term contract with bankable counterparties and project structures.

### **The Board**

There have been three additions and one person who have left the board during the financial year. The additions are Georgina Sousa, Nikolai Grigoriev and Ola Lorentzon.

Mrs. Sousa has been a Director of the Company since June 2017. Mrs. Sousa has served as Secretary of Golden Ocean Group Limited since March 2007. Prior to joining Golden Ocean, Mrs. Sousa held the role as Vice President Corporate Services of Consolidated Services, a Bermuda management company having joined that firm in 1993. From 1982 to 1993 she served as Senior Company Secretary at the law firm Cox & Wilkin.

Mr. Grigoriev joined the Board in September 2017. From 2008 to 2016 Nikolai served as Managing Director of Shipping and Logistics at Gazprom Marketing & Trading. Prior to Gazprom, Mr. Grigoriev worked for BG Group in senior LNG shipping, commercial and corporate finance roles. Nikolai holds a B.Sc. in Navigation from Admiral Makarov State Maritime Academy in St. Petersburg, Russia and an MBA from INSEAD.

Mr. Lorentzon has been a Director of the Company since June 2017. Ola served as Principal Executive Officer of Golden Ocean Group from 2010 to 2015 and held the role as Chief Executive Officer of Frontline Management from April 2000 to 2003. From 1986 to 2000, Mr. Lorentzon was Chief Executive Officer of ICB Shipping. Mr. Lorentzon is also a Director and Chairman of Golden Ocean Group Limited, and a Director of Frontline Ltd. and Erik Thun AB.

Mr. Robin Bakken has retired from the board



### **Leadership update**

To further strengthen the executive team to be in line with the expansion of the fleet, Mr. Øystein Kalleklev started as CFO in October 2017. Mr. Kalleklev has comprehensive financing and commercial experience from similar CFO roles in several similar companies. This appointment in addition to Mr. Jonathan Cook, as Chief Executive Officer and Mr. Thomas Thorkildsen, as senior vice president business development, should put FLEX LNG in a strong position going forward.

### **Funding and Going Concern**

The Board believes that the going concern assumption currently remains appropriate for the Group. Given the \$270m revolving credit facility, the current high level of paid in equity, the support of its main shareholder and the debt finance, \$315m which was raised in December 2017; secure the Company working capital for the next twelve months.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed below, which could impact the carrying value of recognized assets.

### **Risks**

The FLEX LNG Group is currently focused on becoming a leading owner and commercial operator of fuel efficient LNG carrier vessels and FSRU's. The Group is exposed to a variety of commercial, operational and financial risks, including market risks, credit risks, interest rate, capital risk and liquidity risks.

The uncertainties and risks include those detailed in the 2017 accounts and as summarized below. Risks associated with the ability to secure employment contracts on reasonable terms for the vessels under construction and the MEGIs in operation, risks associated with newbuilding projects such as managing the design and construction process properly and counterparty risks, risks associated with obtaining delivery finance on reasonable terms, risks associated with the general LNG and LNG shipping market conditions and trends and risks of increased competition from the Group's competitors and oversupply of vessels.

Another key risk is the risk of lack of attractive funding. The Company has historically funded its operation from a combination of equity and loans from affiliated companies of the Company's key shareholder, Geveran. Although the Company now has available funds under the \$270m Facility, and the \$315m secured term loan facility, no assurance can be given that the Group will obtain such financing in the future and further funding (which is necessary to complete its planned growth strategies and to cover the remaining delivery installments) is subject to market risks and other risks that may influence the availability, structure and terms of such financing.

In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all. Additional detail on working capital requirements and an analysis of the risks to the Company are provided in accounts notes 1.4, 17, 18, and 19 and Corporate Governance section 10.

### **Income Statement and Balance Sheet**

The Group cash balances at 31 December 2017 were \$10.0m (2016: \$1.4m) with a \$8.5m inflow in the year (2016: \$2.3m net outflow). In the twelve months in 2017 the operating cash outflow was \$17.7m (2016: \$1.1m). The retained loss for the year 2017 was \$10.4m (2016: \$1.8m - loss), which has been transferred to reserves.

During the year the Company has continued to hold the investments in its subsidiaries and managed the strategic direction of the Group. The cash balances at 31 December 2017 were \$7.2m (2016: \$1.3m). In the twelve months in 2017 the operating cash outflow was \$10.1m (principally the operating loss less the non cash income statement entries, working capital movements and interest paid/received), investing activities outflow \$205.0m (loans to subsidiaries) and financing activities inflow of \$221.0m



resulting from the share issuance. The retained loss for the year was \$0.3m (2016: \$1.6m - loss), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

### Environmental Reporting

The Company has an objective that all activities that are performed are to be carried out so as to minimize negative impacts to people and the environment. Given the pre-commercial nature of the operations there is currently minimal corporate impact on the environment.

### Working Environment and Personnel

At the end of 2017, FLEX LNG and its subsidiaries had in total two employees, one man and one woman. All personnel are employed by FLEX LNG Management Limited. There have not been any serious injuries or accidents in the current or prior year and total absence due to sickness has been minimal during the accounting year. The FLEX LNG's Board of Directors currently consists of four men and one woman. The Company's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

### Post Balance Sheet Events

On January 9 and 11, 2018 the Company successfully took delivery of its first LNGC newbuilding's the FLEX ENDEAVOUR and the FLEX ENTERPRISE, respectively. After crew mobilization and safety drills the FLEX ENDEAVOUR commenced its time charter to Uniper Global Commodities ("Uniper"), a leading international energy company headquartered in Germany. The time charter to Uniper is for a firm period of 15 months plus an option period of 3 months. Subsequent to crew mobilization and safety drills, the FLEX ENTERPRISE was put into spot trade and made her maiden voyage commencing in February with a discharge in Japan March 12 2018.

In connection with the delivery of the two vessels, \$210m of the Company's \$315m secured term loan facility was utilized. The remaining amount available under the secured term loan facility will be utilized in connection with the scheduled delivery of the FLEX RANGER in May 2018. Subsequent to the drawdown of the secured term loan facility, FLEX LNG repaid \$100m under the Sterna revolving credit facility. Following this repayment to Sterna, remaining outstanding amount under this \$270m facility is \$60m.

As of 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, with an option to extend the contract by 12 months.

### Corporate Governance

The Group is committed to good corporate governance; additional details may be found in the corporate governance report.

Board of Directors of FLEX LNG Ltd  
24 April 2018

A handwritten signature in black ink, appearing to read "D. McManus".

David McManus (Chairman)

A handwritten signature in black ink, appearing to read "Georgina E. Sousa".

Nikolai Grigoriev

A handwritten signature in black ink, appearing to read "Marius Hermansen".

Marius Hermansen

A handwritten signature in blue ink, appearing to read "Ola Lorentzon".

Ola Lorentzon



## Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Board of Directors of FLEX LNG Ltd  
24 April 2018

A handwritten signature in black ink, appearing to read "D. McManus".

David McManus (Chairman)

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A handwritten signature in black ink, appearing to read "Ola Lorentzon".



## Corporate Governance Report

### 1 ) Implementation and reporting on corporate governance

As a company incorporated in Bermuda, the Company is subject to Bermuda laws and regulations. Additionally, as a consequence of being listed on Oslo stock exchange, the Company must comply with section 3-3b) of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance (the “Code of Practice”) on a “comply or explain” basis. Further, the Company has in place a Memorandum and Articles of Association, which set forth certain governance provisions. The Norwegian Accounting Act is found on [www.lovdata.no](http://www.lovdata.no) and the Code of Practice is found on [www.nues.no](http://www.nues.no).

The Group is committed to ensuring that high standards of corporate governance are maintained and is committed to high ethical standards in dealings with all stakeholders, including shareholders, debtors, customers, vendors and employees. Strong corporate governance principles help to ensure that the Groups’ standards are applied to all its operations, and the Board has furthermore implemented a Code of Conduct and Ethics and the Company will also look to comply with the material aspects of the Code of Practice for Reporting IR Information. Additionally policies have been put in place to cover health and safety, quality and environment commitment. The Company believes that these policies broadly set out the Company’s corporate social responsibility. Further information in this respect is available on [www.flexlng.com](http://www.flexlng.com).

The Board of Directors has based its corporate governance practices on the principles set out in the Code of Practice. However, since the Company is governed by Bermuda laws and regulations, and given the current nature of the Group’s activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company’s corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company’s Memorandum and Articles of Association, Bermuda and Norwegian law.

### 2 ) Business

FLEX LNG is currently focused on becoming a leading owner and commercial operator of fuel efficient LNG carrier vessels and FRSUs. The objectives are within the framework of the Company’s Memorandum and Articles of Associations, which may be reviewed at [www.flexlng.com](http://www.flexlng.com). The objectives stipulated in the Memorandum and Articles of Associations are as follows: ‘commercial activity relating to securing hydrocarbon feed stock for floating liquefaction projects, constructing, owning and operating floating liquefaction vessels and/or LNG vessels and sales and marketing of hydrocarbons and business in connection therewith, including investing in other companies.’

The Group operates principally through its subsidiaries. The Company is currently focused on the construction of the LNG carrier vessels on order, including obtaining commercial charter parties, and future FSRU projects. The business principles are as follows;

- protection of human lives and the environment and servicing our customers are the top priorities. By working with clients to jointly explore business opportunities FLEX LNG intends to develop long lasting relationships based on trust and a goal of creating economic value;
- FLEX LNG will strive to provide superior shareholder returns;
- FLEX LNG will aim to attract and retain highly qualified individuals through compensation packages that align employees and shareholders’ interest;
- creativity and innovation spearheads the commercial and technical work conducted by FLEX LNG. In an effort to stay ahead of competition FLEX LNG will relentlessly drive for continuous improvements that permeate the FLEX LNG culture; and
- FLEX LNG emphasizes integrity and honesty in the way it does business



### **3 ) Equity and dividends**

#### *Equity*

The appropriate level of equity for the Group is evaluated by the Board on an ongoing basis, via reviews at the Board meetings. Total share capital at 31 December 2017 was USD 3,679,723.82, divided into 367,972,382 shares of USD 0.01 each. The directors believe this is currently satisfactory given the Group's business and objectives, but will be increased if the Company raises additional funds.

#### *Debt*

As at year end 2016, the Company had borrowed \$7.0m from Metrogas for the provision of working capital. The Metrogas Loan was repaid in full upon closing of the Transaction and the receipt by the Company of the proceeds from the Private Placement in the first quarter of 2017. In connection with the Transaction, the company was granted the \$270m Facility, from an affiliate of Geveran, which was fully drawn upon completion of the Transaction (to part finance the acquisition costs of the newbuildings at DSME). Approximately \$160m was available under the \$270m Facility as of 31 December 2017. In January 2018, the Company repaid a further \$100m. Once on charter the debt-to-equity leverage of the LNG carriers will be dependent upon the contract structure and the debt market at that point in time.

#### *Dividend policy*

As the Group has yet to produce stable cash flows and operating profits, dividends will not be considered in the near term.

#### *Equity mandates*

As a Bermuda company it has an unlimited maximum for the authorized number of shares per its Memorandum and Articles of Association. To issue new shares or amend the authorized number of shares, it requires an ordinary shareholder resolution and Board approval. Should the Company seek a mandate to increase the company's capital it will look to define the purpose for the mandate in line with the recommendations of the Code of Practice. Such mandates will ordinarily be given with effect only up until the next annual general meeting. The same applies with respect to mandates to repurchase the Company's own shares. The issued share capital for the Group is detailed in the annual and quarterly reports which may be viewed at [www.flexlng.com](http://www.flexlng.com).

In connection with the issuance of shares in the Company, the shareholders have (except to the extent they are waived) pre-emptive rights to the new share on a pro-rata basis. Currently, the Board has not resolved and does not intend for the Company to acquire its own shares.

### **4 ) Equal treatment of shareholders and transactions with close associates**

The Company has only one share class, with identical voting rights. All shareholders are treated equally and the Articles of Association do not contain any restrictions on voting rights. Where there is a need to waive the pre-emption rights of existing shareholders this will be justified at the time of approval or where based on an existing mandate justified in the stock exchange announcement in relation to the increase. Where the Company carries out a transaction in its own shares the intention is for this to occur through the stock exchange or at prevailing stock exchange prices, to ensure equal treatment of all shareholders. In situations where there is limited liquidity in the shares, the Company will seek other procedures to ensure that the equal treatment of shareholders is maintained.

All transactions between the Group and its close associates as defined by the Group's Code of Conduct are at arm's length and market prices. The Memorandum and Articles of Associations and the Group's Code of Conduct require Board members and executive staff to disclose interests in transactions entered into with the Group. Where appropriate the Group ensures third party independent evaluation, where defined by the Code of Conduct, or determines that the transaction is on an arm's length basis and at market prices. Any transactions between the Group and close associates will be detailed as related party transactions in note 13 to the financial statements. The costs incurred are, in the Company's opinion, made at market terms.



## **5 ) Freely negotiable shares**

With limited exception, all shares in the Company are freely negotiable, and the Articles of Association contain no form of restriction on the negotiability of the shares, or on voting rights.

Furthermore, the shareholders of the Company have on the Annual General Meeting in 2017 and 2016 resolved to issue up to 100% of the remuneration for the directors for the two years as new shares in the Company, that are to be subject to a lock-up. The two share issuances covering the board remuneration for the 2017 and 2016 year shall become unlocked either on the first or second anniversary after their respective grants.

## **6 ) General meetings**

The Annual General Meeting ("AGM") is the forum for the Company's shareholders to participate in major decisions, and is held each year. The Company's Articles of Associations require 14 days notice for Annual and other Shareholder Meetings, rather than 21 days, which is the recommendation of the Code of Practice. Currently, given the Company position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on. The notice for Annual and Extraordinary General Meetings shall include relevant material to enable the shareholders to make an informed decision and to vote separately on each matter being considered. The documentation will be sent to shareholders either electronically or on paper. Registration can be made in writing or by e-mail. All shareholders are entitled to speak and vote at the General Meetings. The Board of Directors shall take steps to ensure that as many shareholders as possible can exercise their rights by participating in General Meetings, for instance by setting deadlines for shareholders to give notice of their intention to attend the meeting (if any) as close to the date of the meeting as possible and by giving shareholders who are not able to attend the option to vote by proxy. The procedure to vote by proxy will be described in the notice of the AGM. The Board of the Company shall make arrangements for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

The AGM shall be organized in such a way as to facilitate dialogue between shareholders and the officers of the Company. Thus, the Board of Directors will ensure that a member of the Board and the auditor will be available to answer questions. The Board of Directors has not made arrangements for an independent Chairman for each AGM, or for the nomination committee to be present; it believes that the Board Chairman can act independently and in the interests of shareholders. The notice of the General Meeting as well as supporting documents will be made available on the website [www.flexlng.com](http://www.flexlng.com) as well as [www.newsweb.no](http://www.newsweb.no) where the decisions from the general meetings will also be made available.

FLEX LNG strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the shareholders' meeting. In the view of the Company, the current shareholder structure, the shareholder representation, the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board. In addition, given the Company's current development and given the good communications with shareholders, it does not believe that it is necessary for all Directors and auditor to be physically present at the General Meetings, or for there to be an independent Chairman, and that 14 days notice is sufficient for the AGM. The Chairman, executive management, and auditor will participate in the meeting at a minimum.

## **7 ) Audit Committee, Nomination Committee and Compensation Committee**

In lieu of an audit committee comprised of three independent directors, our audit committee has one member, which is consistent with Bermuda law. The Board has determined that Mr. Nikolai Grigoriev, who is an independent director, is our audit committee's financial expert.

In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders are permitted to identify and recommend potential candidates to become board members, but



pursuant to the Amended and Restated Bye-Laws, directors are elected by the shareholders in duly convened annual or special general meetings.

In lieu of a compensation committee comprised of independent directors, the Board is responsible for establishing the executive officers' compensation and benefits. Under Bermuda law, compensation of the executive officers is not required to be determined by an independent committee.

#### **8 ) Corporate assembly and Board of Directors: composition and independence**

As a Bermuda registered company with 2 employees as at 31 December 2017, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.

The Company's Board of Directors shall comprise between 3 to 9 directors pursuant to the decision of the General Meeting. The Company's Board of Directors currently comprises 5 directors, of whom all are considered independent of executive management, the composition aims to ensure that the interests of all shareholders are represented. No directors are associated with a shareholder with a holding exceeding 10%.. The composition of the Board of Directors, including the controls to avoid conflicts of interest, is in accordance with Bermuda company law, the Memorandum and Articles of Association and good corporate governance practice.

The Company endeavors to ensure that it is constituted by directors with a varied background and the necessary expertise, diversity and capacity to ensure that it can function effectively. The directors are elected at the General Meeting, for service periods of two years or such shorter period as stated in the relevant resolution. Directors may be re-elected and there is no limit on the number of terms that any one director may serve. Re-election of the current directors is due at the AGM in 2018. They may be removed by a majority vote at any time. Currently the Board has elected the Chairman, rather than the shareholders, given the Company's current development status the Company believe that this is satisfactory and that the Chairman can ensure that the board is effective in its tasks of setting and implementing the Company's direction and strategy.

The Directors are encouraged to hold shares in the Company, which the Board believes promotes a common financial interest between the members of the Board and the shareholders of the Company. In accordance with the General Meeting's resolution, the Directors received between 0% and 80% of their remuneration in shares for 2017 and 2016.

All Directors participated in the 2017 Board meetings.

The current Board members are listed below:

#### **Mr. David McManus, Chairman - Independent**

Mr. McManus has served on the Board since August 2011, and was elected as chairperson in September 2011. An exceptionally experienced international business leader in the Energy Sector, with strong technical and commercial skills and has previously served as Executive Vice President and Head of International Operations for Pioneer Natural Resources. He is currently serving as non-executive director for a number of listed companies, namely; Hess Corporation, a large NYSE listed oil and gas company with upstream operations in North America, Europe, Africa and Asia; Rockhopper Exploration plc, a UK AIM listed exploration company with assets in the Falkland Islands; Costain plc, one of the UK's leading engineering solutions providers. Mr. McManus was previously Chairman of Cape plc an energy service company, which has been involved as a contractor in more than 50% of the world's LNG facilities, including Sakhalin, RasGas, Qatargas, Damietta, Idku, North West Shelf, Pluto and Arzew. He has 39 years of experience in Technical, Commercial, Business Development, General Management and Executive roles across all aspects of the international oil and gas business, including; BG Group, ARCO, Ultramar, Shell and Fluor Corporation. Mr. McManus is a graduate of Heriott Watt University, Edinburgh.



Mr. Marius Hermansen, Board member

Mr. Hermansen joined the Board in December 2015, he works for Frontline Management and is involved in S&P activities for Frontline and all related companies. Previously he worked for over 10 years at Fearnleys. He was educated at the Norwegian School of Economics (NHH) in Bergen and started as a trainee with AP Moller-Maersk.

Mr. Ola Lorentzon, Board member

Mr. Lorentzon has been a Director of the Company since June 2017. Ola served as Principal Executive Officer of Golden Ocean Group from 2010 to 2015 and held the role as Chief Executive Officer of Frontline Management from April 2000 to 2003. From 1986 to 2000, Mr. Lorentzon was Chief Executive Officer of ICB Shipping. Mr. Lorentzon is also a Director and Chairman of Golden Ocean Group Limited and a Director of Frontline Ltd. and Erik Thun AB.

Mrs. Georgina Sousa, Board member

Mrs. Sousa has been a Director of the Company since June 2017. Mrs. Sousa has served as Secretary of Golden Ocean Group Limited since March 2007. Prior to joining Golden Ocean, Mrs. Sousa held the role as Vice President Corporate Services of Consolidated Services, a Bermuda management company having joined that firm in 1993. From 1982 to 1993 she served as Senior Company Secretary at the law firm Cox & Wilkin.

Mr. Nikolai Grigoriev, Board member

Mr. Grigoriev joined the Board in September 2017. From 2008 to 2016 Nikolai served as Managing Director of Shipping and Logistics at Gazprom Marketing & Trading. Prior to Gazprom, Mr. Grigoriev worked for BG Group in senior LNG shipping, commercial and corporate finance roles. Nikolai holds a B.Sc. in Navigation from Admiral Makarov State Maritime Academy in St. Petersburg, Russia and an MBA from INSEAD.

The Executive Management is listed below:

Jonathan Cook, Chief Executive Officer

Mr. Cook's career spans more than 30 years in the maritime and energy sectors with the last 16 years in the LNG sector. After graduating from Texas A&M University at Galveston, where he later served on the Board of Visitors, he held key positions with Coastal, El Paso, and Excelerate Energy, in addition to his 11-years career at sea as a licensed deck officer where he achieved the rank of Master Mariner. As a founding partner at Excelerate Energy in 2003, Mr. Cook was part of the leadership team that pioneered new frontiers in LNG shipping and transportation, by developing and marketing floating storage and regasification technologies to address the logistical challenges of importing and exporting LNG worldwide. During his time at Cardiff LNG, Mr. Cook managed the commercial activities including spot trading and business development and played an instrumental role in bringing Cardiff LNG to the forefront of the LNG shipping sector.

Øystein Kalleklev, Chief Financial Officer

Mr. Kalleklev joined FLEX LNG in October 2017, after serving as CFO of Knutsen NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015-2017. Previous roles include CFO of industrial investment company Umoe Group, Managing Director of Umoe Invest, Partner of investment bank Clarksons Platou and Business Consultant at Accenture. Mr. Kalleklev holds a MSc in Business and Administration from Norwegian School of Economics and a Bachelor in Business and Finance from Heriot-Watt University.

Thomas Thorkildsen, SVP Business Development

Previously Mr. Thorkildsen was the former head of business development at Höegh LNG. Furthermore, he was responsible for various commercial roles such as commercial management, chartering etc. Mr. Thorkildsen has 20 years experience in the maritime industry with the last 14 years in LNG business development. Prior to joining Höegh LNG he was employed by the Norwegian Ro-Ro specialist Wilh. Wilhelmsen Group. Mr. Thorkildsen holds an MSc from Cass Business School, London.



## **9 ) The work of the Board of Directors**

The Board is ultimately responsible for the management of the Company and for supervising its day to day management. The Board approves an annual budget plan for the business. In addition, policies have been approved that cover the responsibilities of the Board and those of the Management of FLEX LNG Management Limited.

The Board is scheduled to meet in person between one and two times a year, and additionally approximately two times by telephone conferences, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances. In the 12 months in 2017 the Board has convened two times, and has met on one occasion. The main responsibilities of the Board cover the following main areas; strategic planning and decision making for the executive management to implement; ensure Board instructions are complied with; remain well informed on the Company's and Group financial position; production of an annual work plan; ensure the adequacy of executive management and their roles are clearly defined; annually to review the most important areas of risk exposure, including risks and controls related to financial reporting; ensuring an appropriate system of direction, risk management and internal control is established and maintained; to adopt guidelines for the frequency and policy for external financial reporting; and to agree on the dividend policy. The Board are briefed on the Company's financial situation, the vessel construction and charter position, market conditions, the liquidity situation and cash flow forecast.

The Chairman of the Board of Directors carries a particular responsibility for ensuring that the Board of Directors performs its duties in a satisfactory manner and that the Board is well organized. The Board has the overall responsibility for the management of the Group and has delegated the daily management and operations to the executive management, who are appointed by and serves at the discretion of the Board, and also reports to the Board. Further, the executive management, of the management company, are responsible for ensuring that the Company's accounts are in accordance with all applicable legislation, and that the assets of the Company are properly managed. The powers and responsibilities are defined in more detail by the Board of Directors.

The executive management have the collective duty to implement the Company's strategic, technical, financial and other objectives, as well as to protect and secure the Group's organization and reputation.

In the event that the Chairman of the Board cannot attend a meeting or is conflicted in leading the work of the board, an alternate chairman will lead the meeting.

## **10 ) Risk management and internal control**

The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of FLEX LNG. Principal among these risks currently are; the ability to secure employment contracts on reasonable terms for the vessels under construction, the vessels which were delivered in January 2018, and for the vessels chartered in by the Group; risks associated with construction projects in general (including risks associated with the design of the vessels, counterparty risks and the financial strengths of the yards), risks associated with the capacity of the Group to obtain future finance on reasonable terms; risks associated with the ability of the Company to retain key staff, the general LNG and LNG shipping market conditions and trends, the charter market conditions for the LNGC vessels, and financial risks. In addition, the following risks inherent in the business of the Group are monitored: Risk associated with fluctuations in commodity prices, changes in the charter market, exchange rates, increased competition, the political, regulatory and tax environment of the Group, counterparty performance, risks associated with potential growth of the business and the proposed application of new technology including the potential for vessel obsolescence. The Board, working with the Audit Committee and through the annual audit process, ensures that FLEX LNG has reliable internal controls and systems for risk management.

The Board is presented an annual budget at the end of the preceding financial year. Thereafter, the Board is presented with regular updates and quarterly reporting. Explanations are obtained for material variances. The Audit Committee has the responsibility to evaluate risk exposure and internal control on an annual basis. The Board is also presented financial statements



on a quarterly basis, which are reviewed with the executive management. FLEX LNG's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

#### **11 ) Remuneration of the Board of Directors**

The remuneration of the members of the Board of Directors is determined annually by the General Meeting, on the basis of the Board's responsibility, expertise, time commitment and the complexity of the Group's operations, and is disclosed in note 3 to the financial statements. Through the Company's remuneration of directors, part of which has historically been in stock, the Company has encouraged directors to own shares in the Company. The remuneration is not linked to the Company's performance. No non-executive directors have been granted share options and no directors are part of the incentive programs available for the executive management and/or other employees, details in section 12 below.

As a general rule, no directors (or companies with which they are associated) shall take on specific assignments for the Company in addition to their appointment as director. If such assignments are made, it shall be disclosed to the full Board and the remuneration shall be approved by the Board. Further, all remuneration paid to each of the directors shall be described in the Annual Report, details per note 3. Such description shall include details of all elements of the remuneration and benefits of each member of the Board, any remuneration paid in addition to normal director's fees included.

#### **12 ) Remuneration of the executive personnel**

The executive management's remuneration shall be determined by a convened meeting of the Board of Directors. The process aims to link the performance related element of the remuneration, (options and bonus) to value creation for shareholders. The current option program has been approved by shareholders with the allocation to staff determined by the Board. The scheme was designed to align employees with shareholder value creation and to retain persons within the Group. In 2015, staff exercised the remaining issued share options and at the end of 2016 no share options remain outstanding. The guidelines for the remuneration of the executive management were communicated at the 2016 AGM.

Further information on the remuneration of the executive management is contained in note 3 to the financial statements.

#### **13 ) Information and communications**

FLEX LNG will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with legal requirements and good corporate governance practices. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders; the information is provided in English. The Company also provides information to the market through financial reports. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Before the start of the year the Company publishes a summary of the key reporting and meeting dates for the following year.

The Board of Directors has adopted guidelines for the Company's reporting of financial and other information based on openness, equal treatment of all shareholders and participants in the securities market, and restrictions imposed by law. The guidelines also include information requirements to the internal treatment of important information and insider trading instructions and for the Company's contact with shareholders other than through General Meetings. Stock Exchange announcements and press releases, including the financial calendar, are also made available on the Company's website.

#### **14 ) Take-overs**

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the Board has an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors and the executive management will not seek to hinder or obstruct take-over bids for the Company's shares or activities. In the event of any possible take-over or restructuring situation the Board of Directors will take particular care to protect shareholder value and the common interests of the shareholders. If an offer is made for the Company's shares, the



Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board will consider the appropriateness of arranging for a valuation by an independent expert. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board of Directors will not exercise mandates or pass any resolutions to obstruct the take-over bid unless approved by the General Meeting following announcement of the bid. Any transaction that is a disposal of the Company's activities should be decided by the General Meeting. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids for the Company's shares shall only be entered into where it is self-evident that such an agreement is in the common interest of the Company and its shareholders. Additionally any financial compensation should be limited to the costs the bidder has incurred in making the bid. Where agreements are entered into between the Company and the bidder that are material to the market's evaluation of the bid they will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. According to the Norwegian Securities Trading Act, a mandatory offer for the remaining shares will be triggered if a shareholder becomes the owner of more than 1/3 of the shares in the Company.

### **15 ) Auditors**

The auditor is appointed by the General Meeting, which also determines the auditor's fee. The auditor submits the main features of the plan for the audit of the Company to the Audit Committee on an annual basis and is responsible for the audit of the consolidated financial statements. The auditor does not participate in meetings of the Board of Directors that deals with the annual accounts. Via the Audit Committee the auditor reviews any material changes in the Company's accounting principles, comments on any material accounting estimates and reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. The Company believes the auditor does not need to be physically present at the Company's AGM given the commercial nature of the Group. Annually the auditor presents to the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The Audit Committee holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present, the Company believes this is sufficient given its size and enables the auditor to communicate with members of the Board. The Company's Management regularly holds discussions with the auditor, in which accounting principles and internal control routines are reviewed and discussed, including the presentation of interim reports.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.



## Income Statement - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Vessel operating revenues		27,329	—	—	—
Vessel operating costs		(36,532)	—	—	—
Administrative expenses	3	(3,409)	(1,483 )	(3,353 )	(1,269 )
<b>Operating income (loss) before depreciation</b>		<b>(12,612)</b>	<b>(1,483 )</b>	<b>(3,353 )</b>	<b>(1,269 )</b>
Depreciation		(2)	(2 )	—	—
<b>Operating income (loss)</b>		<b>(12,614)</b>	<b>(1,485 )</b>	<b>(3,353 )</b>	<b>(1,269 )</b>
Finance income	4	123	9	115	9
Finance cost	4	(234)	(314 )	(240 )	(314 )
Hedge gain		2,335	—	2,348	—
<b>Income (Loss) before tax</b>		<b>(10,391)</b>	<b>(1,790 )</b>	<b>(1,130 )</b>	<b>(1,574 )</b>
Income tax (expense) credit	7	(17)	1	—	—
<b>Net income (Loss)</b>		<b>(10,408)</b>	<b>(1,789 )</b>	<b>(1,130 )</b>	<b>(1,574 )</b>
Attributable to:					
Equity holders of the parent		(10,408)	(1,789 )	(1,130 )	(1,574 )
<b>Earnings per share (USD):</b>		<b>Group 2017</b>	<b>Group 2016</b>	<b>Company 2017</b>	<b>Company 2016</b>
- Basic	5	(0.03)	(0.01 )	(0.00)	(0.01 )
- Diluted	5	(0.03)	(0.01 )	(0.00)	(0.01 )



## Statement of Comprehensive Income - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

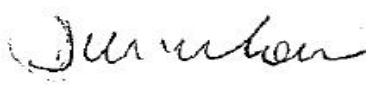
	Group 2017	Group 2016	Company 2017	Company 2016
<b>(Loss) for the year</b>	<b>(10,408)</b>	(1,789)	<b>(1,130 )</b>	(1,574 )
Total other comprehensive income (expense)	—	—	—	—
<b>Total comprehensive (loss) for the period</b>	<b>(10,408)</b>	(1,789)	<b>(1,130 )</b>	(1,574 )
Attributable to:				
Equity holders of the parent	<b>(10,408)</b>	(1,789)	<b>(1,130 )</b>	(1,574 )



## Statement of Financial Position - FLEX LNG Group & Company

As at 31 December (USD, 000)	Note	Group 2017	Group 2016	Company 2017	Company 2016
<b>ASSETS</b>					
<b>Non-current assets</b>					
New building assets	8	594,937	212,472	—	—
Plant and equipment	9	3	2	—	—
Vessel purchase prepayment	8	72,000	—	—	—
Loans and investments	2	—	—	522,964	214,037
<b>Total non-current assets</b>		<b>666,940</b>	<b>212,474</b>	<b>522,964</b>	<b>214,037</b>
<b>Current assets</b>					
Inventory		1,041	—	—	—
Other current assets	10	6,568	220	3,156	176
Cash and cash equivalents	11	9,961	1,439	7,175	1,283
<b>Total current assets</b>		<b>17,570</b>	<b>1,659</b>	<b>10,331</b>	<b>1,459</b>
<b>TOTAL ASSETS</b>		<b>684,510</b>	<b>214,133</b>	<b>533,295</b>	<b>215,496</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	12	3,680	1,279	3,680	1,279
Share premium	12	885,323	563,174	885,323	563,174
Other equity		(368,902)	(358,511)	(358,857)	(357,745)
<b>Total equity</b>		<b>520,101</b>	<b>205,942</b>	<b>530,146</b>	<b>206,708</b>
<b>Non-current liabilities</b>					
Other financial liabilities	14.3	160,000	7,000	—	7,000
<b>Total non-current liabilities</b>		<b>160,000</b>	<b>7,000</b>	<b>—</b>	<b>7,000</b>
<b>Current liabilities</b>					
Accounts payable		76	46	16	—
Accruals and other payables		4,333	1,145	3,133	1,788
<b>Total current liabilities</b>		<b>4,409</b>	<b>1,191</b>	<b>3,149</b>	<b>1,788</b>
<b>Total liabilities</b>		<b>164,409</b>	<b>8,191</b>	<b>3,149</b>	<b>8,788</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>684,510</b>	<b>214,133</b>	<b>533,295</b>	<b>215,496</b>

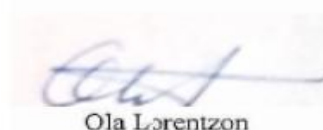
Board of Directors of FLEX LNG Ltd  
24 April 2018

  
David McManus (Chairman)

  
Georgina E. Sousa

  
Nikolai Grigoriev

  
Marius Hermansen

  
Ola Lorentzon



## Consolidated Statement of Changes in Equity - FLEX LNG Group

(figures in USD,000)

For the year ended 31 December 2017	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.17	1,279	563,174	(369,122)	10,611	205,942
Loss for the period	—	—	(10,408)	—	(10,408)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	(10,408)	—	(10,408)
Shares issued	2,401	326,773	—	(99)	329,075
Share issuance costs	—	(4,624)	—	—	(4,624)
Share-based payment (shares)	—	—	—	116	116
At 31.12.17	3,680	885,323	(379,530)	10,628	520,101

For the year ended 31 December 2016	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.16	1,279	563,080	(367,333)	10,608	207,634
Loss for the period	—	—	(1,789)	—	(1,789)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	(1,789)	—	(1,789)
Shares issued	—	94	—	(94)	—
Share-based payment (shares)	—	—	—	97	97
At 31.12.16	1,279	563,174	(369,122)	10,611	205,942

## Statement of Changes in Equity - FLEX LNG Ltd.

(figures in USD,000)

For the year ended 31 December 2017	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.17	1,279	563,174	(368,356)	10,611	206,708
Loss for the period	—	—	(1,130)	—	(1,130)
Total comprehensive income	—	—	(1,130)	—	(1,130)
Shares issued	2,401	326,773	—	(99)	329,075
Share issuance costs	—	(4,624)	—	—	(4,624)
Share-based payment (shares)	—	—	—	116	116
At 31.12.17	3,680	885,323	(369,485)	10,628	530,146

For the year ended 31 December 2016	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.16	1,279	563,080	(366,782)	10,608	208,185
Loss for the period	—	—	(1,574)	—	(1,574)
Total comprehensive income	—	—	(1,574)	—	(1,574)
Shares issued	—	94	—	(94)	—
Share-based payment (shares)	—	—	—	97	97
At 31.12.16	1,279	563,174	(368,356)	10,611	206,708



## Consolidated Statement of Cash Flows - FLEX LNG Group

Year ended 31 December  
(USD, 000)

Group	Note	2017	2016
<b>Cash flow from operating activities</b>			
(Loss) before tax		(10,391)	(1,790)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	(123)	(9)
Finance expense	4	234	314
Share based payment expense		115	97
Depreciation	9	2	2
(Loss) / profit on asset disposal	3	—	1
Foreign exchange		(2,462)	—
Working capital adjustments:			
Decrease / (increase) in prepayments		(5,908)	1
Decrease / (increase) in inventories		(1,041)	—
Decrease / (increase) in trade and other receivables		(639)	204
(Decrease) / increase in trade and other payables		272	579
(Decrease) / increase in accrued expenses		(492)	—
(Decrease) / increase in other current liabilities		2,653	—
		(17,780)	(601)
Income taxes paid		(5)	(1)
Interest received		123	9
Interest paid		(61)	(486)
<b>Net cash flow from operating activities</b>		<b>(17,723)</b>	<b>(1,079)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	9	(4)	(2)
Advance payment on new build assets		(72,000)	—
Payment on new building assets and capitalised expenditure	8	(5,710)	(1,202)
<b>Net cash flow used in investing activities</b>		<b>(77,714)</b>	<b>(1,204)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital	12	220,988	—
Repayment of debt	14.3	(117,000)	—
Other		(29)	—
<b>Net cash flow from financing activities</b>		<b>103,959</b>	<b>—</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>8,522</b>	<b>(2,283)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,439</b>	<b>3,722</b>
<b>Cash and cash equivalents at end of period</b>	11	<b>9,961</b>	<b>1,439</b>



## Statement of Cash Flows - FLEX LNG Ltd.

Year ended 31 December  
(USD, 000)

Company	Note	2017	2016
<b>Cash flow from operating activities</b>			
(Loss) before tax		(1,130)	(1,574)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	(115)	(9)
Finance expense	4	735	314
Impairment loss	2	—	1
Share based payment expense		115	97
Working capital adjustments:			
Decrease / (increase) in trade and other receivables		(2,980)	241
(Decrease) in trade and other payables		(5,639)	(151)
		(9,014)	(1,081)
Interest received		115	9
Interest paid		(735)	(486)
<b>Net cash flow from operating activities</b>		<b>(9,634)</b>	<b>(1,558)</b>
<b>Cash flows from investing activities</b>			
Loans and investments in subsidiaries	2	(205,480)	(805)
<b>Net cash flow used in investing activities</b>		<b>(205,480)</b>	<b>(805)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	12	220,988	—
Other		18	—
<b>Net cash flow from financing activities</b>		<b>221,006</b>	<b>—</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>5,892</b>	<b>(2,363)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,283</b>	<b>3,646</b>
<b>Cash and cash equivalents at end of period</b>	11	<b>7,175</b>	<b>1,283</b>



## **Note 1: General information and significant accounting policies**

### **1.1 Basis for preparation**

FLEX LNG Ltd. is a limited liability company, incorporated in Bermuda, and listed on the Oslo Stock Exchange. The Group includes seven 100% owned subsidiaries, as at 31/12/17. The Group produces consolidated accounts incorporating these companies and its activities, which are focused on transportation of liquefied natural gas, FSRU's and related activities. Two of the LNGCs were delivered to the company by Daewoo Shipbuilding and Marine Engineering Co. Ltd. (DSME) in January 2018, two LNGCs are currently under construction at Samsung Heavy Industries and are scheduled to be delivered to the Company in the second and third quarters of 2018, and two LNGCs are currently under construction at DSME and are expected to be delivered to the Company in second and third quarters of 2019. The Company financial statements for FLEX LNG Ltd. relate to the parent company only and in the following notes it is specified when the detail relates to the consolidated Group or the parent company only. The Company financial statements are produced to comply with the Oslo listing requirements. Reported values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

The financial statements for the period ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements were approved by the Board of Directors on 24.04.18 for issue on 24.04.18. The financial statements have been prepared on an historical cost basis, except for the valuation of options, which are accounted for at fair value. The financial statements have also been prepared on a going concern basis, additional information is included in notes 17 and 18, and includes comparative information in respect of the previous period.

The Group has implemented new and amended standards with effective date January 1, 2016. The adoption of the new standards/amendments has had no impact on the financial position or performance of the Group or Company.

At the end of 2017, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective. Standard issued but not yet in effect:

IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Measurement. In July 2014 IASB published the final project of IFRS 9 and the standard is now completed. IFRS 9 involves changes relating to classification and measurement of financial instruments, hedge accounting and impairment. The unchanged part of IAS 39 has been retained in the new IFRS 9.. For entities outside the EU / EEA the new standard is effective from financial year starting 1 January 2018 or later. The standard will be implemented retrospectively, except for hedge accounting but it is not a requirement to prepare comparative figures. The rules for hedge accounting should mainly be implemented prospectively with some exceptions. The Group has no plans for early implementation of the standard.

This standard will not affect the financial statements significantly apart from increased disclosure requirements.

IFRS 15 Revenue from Contracts with Customers is the new common standard for revenue recognition issued by the IASB and FASB. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of contracted goods or services to customers, and to an amount that reflects the consideration the company expects to be entitled in exchange for those goods or services.

The standard applies to all income-generating contracts with customers with few exceptions and provides a model for recognition and measurement of the sale of certain non-financial assets (excl. Sale of property, plant and equipment). IFRS 15 implementation will be either full retrospective application to all prior periods or retention of prior period figures as reported under the prior standard with recognition of the effect of the adoption of the new standard.



For entities outside the EU / EEA the new standard is effective from financial years starting 1 January 2018 or later. Through 2017, the Group has analyzed the impact of the new revenue recognition standard. A review of the Group's contracts has not revealed any change in revenue recognition, and consequently, it will not be an implementation effect 01/01/2018. The group's main revenue sources are T / C contracts. T / C contracts contain both a lease and a service agreement. Both of these items are recorded normally during the contract period, so the impact if service element separated and accounted for separately is limited. IFRS 15 will only regulate service agreement, as recognition of revenues from lease agreements is governed by IAS 17 Leases.

#### Revenues from Spot charters

A spot charter contracts conveys a transportation service to the customer, as such these contracts fall under the scope of IFRS 15. For vessels operating on spot charters, under the current revenue standards, voyage revenues are recognized ratably over the estimated length of each voyage, calculated on a discharge-to-discharge basis. Under IFRS 15, revenues will be recognized only upon the satisfaction of performance obligations i.e., when the underlying transportation service is provided to the customer. Under IFRS 15, revenues will be recognized on a load-to-discharge basis, since this reflects the period over which the charterer is obtaining benefit from the transportation service. Compared to current practice, revenue will be deferred and will be recognized over a shorter time period. The total revenues from spot charters will remain unchanged, but the change will impact key performance measures, such as the Time Charter Equivalent (TCE).

IFRS 15 also specifies the accounting treatment for costs an entity incurs to obtain and fulfil a contract to provide goods and services to customers. The Group incurs costs related to the transportation of the vessel to the load port from its previous destination. It has not yet been concluded whether these expenses, either in full or partially, meet the criteria of fulfilment costs eligible for capitalization under IFRS 15. The Company is assessing whether these costs should be expensed as incurred, or capitalized and amortized over the transportation period (load to discharge).

The implementation of IFRS 15 will have a transition effect on the opening balance of retained earnings as of January 1, 2018, however this is not expected to be significant.

IFRS 16 Leasing is the new standard on accounting of leasing published by the IAS on January 13, 2016. The standard will be effective from financial years starting 1 January 2019 or later for entities outside the EU / EEA The new in this standard is that almost all rental agreements will be capitalized. The exception is short-term and insignificant leases.

The Group has not made a quantitative assessment of the effects, but the assessment is that all leases, vessels, leases and other non-material leases are capitalized. The assessment will be completed through 2018.

### **1.2 Functional currency and presentation currency**

The Group's presentation currency is USD. This is also the functional currency of all the companies in the Group. When a foreign subsidiary is partially or completely disposed of or sold, translation differences connected to the subsidiary are recognized in the income statement.

### **1.3 Basis of consolidation**

The Group's consolidated financial statements comprise FLEX LNG and companies in which it has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Details on subsidiaries are provided in note 2. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, FLEX LNG Ltd, using consistent accounting principles.

Intragroup transactions and balances, including internal profits and unrealized gains and losses, have been eliminated in full. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.



Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially stated at fair value at the acquisition date regardless of the size of any non-controlling interests. In a business combination where the transferred compensation, any non-controlling interests and the fair value of the previously owned interest (in incremental acquisitions) exceed the fair value of the acquired assets and assumed liabilities which are recognized separately, the difference is recognized as goodwill. Where the difference is negative, in a 'bargain purchase,' the difference is recognized in profit/loss for the year.

#### **1.4 Use of estimates and judgements when preparing the annual financial statements**

The annual financial statements have been prepared in accordance with IFRS. This means that management has used estimates and assumptions that have affected the reported values for assets, liabilities, revenues, expenses, the accompanying disclosures and information on contingent liabilities. Future events and revisions to accounting estimates may lead to these estimates being changed. Changes to accounting estimates are included in the financial statements for the period in which the change occurs. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made.

The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgement is required in establishing fair values. Changes in these assumptions could impact the reported fair value, as detailed below.

#### **New build assets**

Costs are capitalized as per note 1.9 and as detailed in note 8. In determining the amounts that are capitalized, including the carrying amounts for historically capitalized amounts, management will make assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. The broker valuations have been reviewed and the value in use calculation has been based on market based assumptions. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalized costs. Costs, which are not directly allocated to a specific ship, are split between the different vessels based on management's view on benefits derived from the expenses incurred.

#### **1.5 Currency transactions**

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing at the dates of the transactions. Monetary items are retranslated at the period end exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such cash transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. FLEX has transactions mainly in USD and some in GBP and NOK.

#### **1.6 Segments**

Our chief operating decision maker, or the CODM, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment.

Our vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful.

#### **1.7 Income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the balance sheet date.



### **1.8 Accounting for revenue and related expenses**

Revenue is recognized on the accrual basis to the extent that it is probable that economic benefits will flow to the entity and the fair value of the consideration received/receivable can be reliably measured.

Time charter revenue generated is treated as operating lease income - under IAS 17- and recognized on a straight line basis over the term of the relevant time charter, excluding periods when the vessel is offhire.

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.

Vessel operating costs are recognized as incurred with the exception of commissions which are recognized on a pro-rata basis, over the duration of the time charter, matching the recognition of the underlying time charter revenue.

### **1.9 Non-current assets**

Non-current assets are carried at cost less accumulated depreciation and impairment adjustments, if any. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the income statement.

The depreciation period and method will be reviewed annually to ensure that the method and period used reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes, borrowing costs and any costs directly attributable to the location and condition necessary for use in the intended manner. Such expenses include instalment payments, compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, borrowing costs incurred to finance construction, plus other costs that are directly attributable to the assets. Capitalization will cease once the asset is in the location and condition necessary for it to be able to operate in the manner consistent with its intended design.

On delivery the total acquisition costs of the vessel will be decomposed to groups of components that have different expected useful lives. The different groups of components will be depreciated over their expected useful lives. Subsequent costs, such as repair and maintenance costs, are normally recognized in the income statement as incurred.

Where increased economic benefits as a result of repair / maintenance work can be proven, such costs will be recognized in the balance sheet as an addition to non-current assets.

Depreciation on non-current assets is calculated using the straight-line method to depreciate assets over their useful life. The following periods have been used:

Vessels: 35 years

Drydocking: 2-5 years

IT Equipment: 2 years



## **1.10 Impairment of assets**

### **Non-current assets**

At each reporting date the Group completes an assessment of whether there is an indication that an asset may be impaired. An impairment loss occurs when the carrying amount exceeds the recoverable amount, which is the higher of value in use or fair value less cost of disposal. The value in use is calculated using the present value of estimated future cash flows. The calculation is performed at the individual vessel level.

### **1.11 Cash and cash equivalents**

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements. The cash and cash equivalent amount in the cash flow statement includes overdraft facilities.

### **1.12 Provisions, contingent liabilities and assets**

A provision is a liability of uncertain timing and amount. Provisions are recognized when, and only when, the Company has an existing liability (legal or assumed) as a result of past events, it is probable (more likely than not) that an outflow of resources is required to settle the liability and the obligation can be measured reliably. Provisions are reviewed at each balance sheet date. The amount recognized is the best estimate of the expenditure required to settle the obligation. When the time factor is insignificant, the provisions will be equal to the cost required to settle the obligation. When the time factor is significant the provisions will be equal to the net present value of future payments to cover the obligation. Increases in provisions due to the time factor will be presented as interest expenses.

Contingent liabilities are:

- i. Possible obligations resulting from past events whose existence depend on future events.
- ii. Present obligations that are not recognized because it is not probable that they will lead to an outflow of resources.
- iii. Present obligations that cannot be measured with sufficient reliability.

Contingent liabilities not recognized, but are disclosed, with the exception of contingent liabilities where the possibility of any outflow in settlement is remote.

Contingent asset are defined as;

- i. A possible asset that arises from past events, and
- ii. Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

A contingent asset is not recognized in the annual financial statements unless realization is virtually certain, but is disclosed if an inflow of economic benefit is probable.

New information that provides evidence of conditions that existed at the balance sheet date are taken into account in the amounts recognized in the annual financial statements. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date, but which will affect the Group's position in the future are disclosed, if material.

### **1.13 Options and share based payments - equity settled transactions**

At award the fair value of share options is calculated using an appropriate option pricing model.

The option cost is recognized over the period in which the performance is expected to be fulfilled, ending at the date on which the relevant employees become entitled to the award. This includes an assessment of the implicit future service requirement of the award. The expense at each reporting date is based on the Group's best estimate of the number of equity instruments that will vest. The income statement reflects the movement in the cumulative expense recognized as at the beginning and the end of the period.



Directors of the Company received part of their remuneration in the form of share-based payment transactions, where new shares are issued instead of cash remuneration being paid. The value of the services is recognized at the fair value of the shares issued.

#### **1.14 Borrowing costs**

Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, they are capitalized as part of the qualifying asset.

#### **1.15 Investment in subsidiaries**

Shares in the subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value in the subsidiaries, the Company recognizes impairment charges on investments in subsidiaries and intercompany loan receivables. If and when estimated recoverable amounts increase, impairments charges are reversed. There is currently no repayment schedule on the intercompany loans and no interest charged on outstanding balances.

#### **1.16 Lease**

##### **Group as a lessee - Operating leases**

Leases where most of the risk and returns associated with the ownership of the asset have not been transferred to the Group, are classified as operating leases. Lease payments are classified as operating costs and recognized in the income statement in a straight-line during the contract period.

##### **Group as a lessee - Finance leases**

Finance leases are leases under which the Group assumes most of the risk and return associated with the ownership of the asset. At the inception of the lease, finance leases are recognized at the lower of their fair value and the present value of the minimum lease payments less accumulated depreciation and impairment losses. When calculating the present value of the lease, the implicit interest cost in the lease is used if it is possible to calculate this. If this cannot be calculated, the company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's acquisition cost.

The same depreciation period as for the company's other depreciable assets is used. If it is not reasonably certain that the company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.



## Note 2: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Main operations	Ownership share	Voting share
FLEX LNGC 1 Limited	Isle of Man	Shipping	100%	100%
FLEX LNGC 2 Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Shipping Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Chartering Ltd	United Kingdom	Chartering services	100%	100%
FLEX LNG Management AS	Norway	Management services	100%	100%
FLEX LNG Fleet Ltd	Bermuda	Holding company	100%	100%
FLEX LNG Management Limited	Isle of Man	Management services	100%	100%
FLEX Petroleum Limited	British Virgin Islands	Holding company	100%	100%

FLEX LNG Ltd - Loans and investments in subsidiaries

Company (USD 000)	2017	2016
FLEX LNGC 1 Limited	108,940	107,134
FLEX LNGC 2 Limited	108,643	106,903
FLEX LNG Shipping Limited	20,517	—
FLEX LNG Fleet Ltd	284,864	—
	522,964	214,037

Loans to 100% subsidiaries are unsecured, interest free and repayable on 30 days notice. It is currently not the intention of FLEX LNG to call in these loans. The loans have been used to cover stage payments to shipyards, capitalized costs, running costs and an allocated share of the management recharge.



### Note 3: Administrative expenses

As detailed in note 1.8 capitalized costs include expenses covering compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, plus other costs that are directly attributable to the assets.

<b>3.1 Included in administration expenses</b> USD,000	<b>Group 2017</b>	Group 2016	<b>Company 2017</b>	Company 2016
P&L on disposal of assets	—	1	—	—

#### 3.2 Auditors

Expensed fee to the auditors is divided into the following services (exclusive of VAT):

USD,000	<b>Group 2017</b>	Group 2016	<b>Company 2017</b>	Company 2016
Audit	<b>69</b>	35	<b>69</b>	30
Tax and other assistance	<b>11</b>	10	—	—
<b>Total Auditor's fees</b>	<b>80</b>	45	<b>69</b>	30

#### 3.3 Remuneration

During 2017 FLEX LNG had five Directors (2016: three), but no employees. All employees are engaged by the management company.

Staff costs USD,000	<b>Group 2017</b>	Group 2016	<b>Company 2017</b>	Company 2016
Wages and salaries	<b>1,040</b>	743	—	—
Social security costs	<b>150</b>	105	<b>5</b>	12
Pension costs	<b>58</b>	24	—	—
<b>Total employee benefit expenses</b>	<b>1,248</b>	872	<b>5</b>	12

Employees are offered a fixed base salary. The management company contributes to a defined contribution pension scheme for members of staff, who are also offered additional health insurance. The number of man-labor years in 2017 was 5 (2016 - 3). The Company has incurred social security costs \$5k (2016: \$12k) in relation to the payment of Directors fees in the Isle of Man.

Directors fees FLEX LNG Ltd, USD,000	<b>Company 2017</b>	Company 2016
<u>Current Directors</u>		
David McManus	<b>100</b>	100
Marius Hermansen	<b>40</b>	40
Ola Lorentzon	<b>20</b>	—
Georgina Sousa	<b>5</b>	—
Nikolai Grigoriev	<b>11</b>	—
<u>Ex. Directors</u>		
Robin Bakken	<b>14</b>	40
<b>Total Directors' fees</b>	<b>210</b>	180

Mr. McManus received 61% of his remuneration as shares, Mr. Hermansen 80%, Mr. Lorentzon 50%, Mr. Grigoriev 100% and Mrs. Sousa nil.



## Note 4: Finance costs and revenue

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Finance cost</b>				
Loan interest	234	314	240	314
<b>Total financial cost</b>	<b>234</b>	<b>314</b>	<b>240</b>	<b>314</b>

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Finance revenue</b>				
Interest income	123	9	115	9
<b>Total financial revenue</b>	<b>123</b>	<b>9</b>	<b>115</b>	<b>9</b>

## Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the earnings per share calculation.

<b>Earnings per share:</b>	<b>2017</b>	<b>2016</b>
(Loss) attributable to shareholders - Group \$'000	(10,408)	(1,789)
(Loss) attributable to shareholders - Company \$'000	(1,130)	(1,574)
<b>Weighted average number of ordinary shares</b>	<b>307,639,115</b>	<b>127,922,003</b>
<b>Effect of dilution:</b>		
Share options	—	—
<b>Weighted average number of shares, adjusted for dilution</b>	<b>307,639,115</b>	<b>127,922,003</b>

## Note 6: Management fees, Company

There are no employees in FLEX LNG Ltd. A contract for management services has been entered into with FLEX LNG Management Limited. According to this agreement, FLEX LNG Management Limited will render services to the Group relating to general administration and contract management. FLEX LNG Management Limited is entitled to compensation covering all its expenses plus a mark-up. The total compensation for 2017 was \$2,482k (2016: \$1,095k). At the period end the Company owed FLEX LNG Management Limited \$2,061k (2016: \$1,608k).



## Note 7: Income tax

The Group consists of one legal entity incorporated in the British Virgin Islands, one entity in the United Kingdom, one entity in Norway, one entity in Bermuda and four entities in the Isle of Man. The profits attributable to the Management Company are taxable in the United Kingdom (UK).

(USD,000)	Group 2017	Group 2016
Current income tax charge	17	8
Adjustments in respect of current income tax of previous years	—	(9)
<b>Income tax expense reported in the income statement</b>	<b>17</b>	<b>(1)</b>

(USD,000)	Company 2017	Company 2016
Current income tax charge	—	—
Adjustments in respect of current income tax of previous years	—	—
<b>Income tax expense reported in the income statement</b>	<b>—</b>	<b>—</b>

A reconciliation between the tax expense and the product of the accounting profit multiplied by the Bermuda (2016: BVI) domestic tax rate for the year ended 31 December 2017 and 2016 is as follows:

(USD,000)	Group 2017	Group 2016
Accounting (loss) before income tax	(10,408)	(1,790)
Income tax at 0% (2016:0%) - Bermuda and BVI respectively	—	—
Effect of higher overseas tax rates	17	(1)
<b>Effective income tax rate of 0.2% (2016: 0.0%)</b>	<b>17</b>	<b>(1)</b>

(USD,000)	Company 2017	Company 2016
Accounting (loss) before income tax	(305)	(1,574)
Income tax at 0% (2016:0%) - Bermuda and BVI respectively	—	—
<b>Effective income tax rate of 0% (2016: 0%)</b>	<b>—</b>	<b>—</b>



## Note 8: New Building Assets and Capitalized Costs

(USD,000) - Group	2017	2016
At 1 January - instalment payments	210,000	210,000
Additions	376,000	—
<b>At 31 December</b>	<b>586,000</b>	<b>210,000</b>
At 1 January - capitalised costs	2,472	1,270
Additions	6,465	1,202
<b>At 31 December</b>	<b>8,937</b>	<b>2,472</b>
At 1 January - Total	212,472	211,270
Additions	382,465	1,202
<b>At 31 December</b>	<b>594,937</b>	<b>212,472</b>

In the first quarter of 2017, the Company acquired two LNGC newbuildings from an affiliated company. The transfer was funded via the issuance of new shares and debt under a revolving credit facility. The assets were valued at the fair value of the shares issued and the debt taken on which amounted to \$376.0m.

Interest expense, supervision and other costs of \$6.5m (2016: \$1.2m) have been capitalized, in relation to the four LNGCs being delivered in 2018. Capitalized interest is calculated as a percentage of the capitalized cost against the total costs funded by the working capital loan in the period. The Company is not responsible for the yard supervision of the remaining two LNGCs to be delivered in 2019, and these costs are included in the purchase price.

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 carrying values of newbuildings and vessel purchase prepayments may not represent their fair market value at any point in time since the market prices of second-hand vessels and the cost of newbuildings tend to fluctuate with changes in charter rates, operational expenses and weighted average cost of capital (WACC). Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels that are held and used by us and newbuildings under construction are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or newbuilding may not be fully recoverable.

At the end for 2017 the group has preformed a value in use calculation, based on discounted cash flow. In developing estimates of future cash flows, we must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, drydocking requirements, residual value, weighted average cost of capital and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations.

To support our assumptions and thereby the estimated value of non-current assets, the group has obtained two independent broker valuations. The valuations and our internal estimated value support the booked value of non current assets.

To indicate the sensitivity of the discounted cash flow valuation we estimate that an increase of operating expenses of 30% with out any increase in rates, an increase in WACC of 1% or reduction of future charter rates of 5% - 15% can lead to impairment.

## Note 9: Plant and Equipment

(USD,000) - Group

<b>Cost</b>	<b>2017</b>	<b>2016</b>
1 January	5	7
Additions	4	2
Disposals	(1)	(4)
<b>31 December</b>	<b>8</b>	<b>5</b>

(USD,000) - Group

<b>Depreciation</b>	<b>2017</b>	<b>2016</b>
1 January	3	4
Depreciation charge for the year	2	2
Disposals	—	(3)
<b>31 December</b>	<b>5</b>	<b>3</b>
<b>Net book value</b>	<b>2017</b>	<b>2016</b>
<b>At 31 December</b>	<b>3</b>	<b>2</b>

## Note 10: Other current assets

(USD 000)	<b>Group</b> <b>2017</b>	Group 2016	<b>Company</b> <b>2017</b>	Company 2016
Debtors	486	46	—	3
Prepayments	6,082	174	3,156	173
<b>Total other current assets</b>	<b>6,568</b>	220	<b>3,156</b>	176

## Note 11: Cash and cash equivalents

(USD 000)	<b>Group</b> <b>2017</b>	Group 2016	<b>Company</b> <b>2017</b>	Company 2016
Cash at bank and in hand	9,961	1,439	7,175	1,283
<b>Cash and cash equivalents in the balance sheet and cash flow statement</b>	<b>9,961</b>	1,439	<b>7,175</b>	1,283

There is no restricted cash as of 31.12.2017



## Note 12: Share capital, shareholder information and dividend

Group & Company	2017	2016
Ordinary shares (nominal amount USD: 0.01)	367,972,382	127,945,657
<b>Total number of shares</b>	<b>367,972,382</b>	<b>127,945,657</b>

Group & Company	Shares (‘000)	Share Capital (USD’000)	Share Premium (USD’000)
<b>Ordinary shares - Issued and fully paid:</b>			
At 1 January 2017	127,946	1,279	563,174
Shares issued	240,026	2,401	322,149
<b>December 31, 2017</b>	<b>367,972</b>	<b>3,680</b>	<b>885,323</b>

Group & Company	Shares (‘000)	Share Capital (USD’000)	Share Premium (USD’000)
<b>Ordinary shares - Issued and fully paid:</b>			
At 1 January 2016	127,870	1,279	563,080
Shares issued	76	—	94
<b>December 31, 2016</b>	<b>127,946</b>	<b>1,279</b>	<b>563,174</b>

Nominal value per share is USD 0.01. All issued shares have equal voting rights and are equally entitled to dividends. During the year shares were allotted to directors of FLEX LNG to cover between 0% and 80% of their remuneration for the year. The Directors’ shares for the remuneration, covering the period 01/07/17 to 31/12/17, had not been issued at 31/12/17 and are recorded in the option, warrant and share reserves, \$66k (2016: \$49k).

<b>Main Group shareholders at 31.12.17 are:</b>		
<b>Shareholder:</b>	<b>Number of shares:</b>	<b>Ownership interest:</b>
GEVERAN TRADING CO LTD	191 131 803	51,9 %
VERDIPAPIRFONDET DNB NORGE (IV)	18 793 455	5,1 %
SKAGEN VEKST	8 770 000	2,4 %
FIDELITY PURITAN TRUST: FIDELITY	8 558 600	2,3 %
UBS AG 1	6 000 000	1,6 %
CATELLA HEDGEFOND	5 907 300	1,6 %
GOLDMAN SACHS & CO. LLC 1	4 178 950	1,1 %
THE BANK OF NEW YORK MELLON SA/NV 1	3 837 757	1,0 %
SOCIETE GENERALE	3 553 717	1,0 %
NORRON SICAV - TARGET	3 543 954	1,0 %
Other	113 696 846	30,9 %
<b>Total</b>	<b>367 972 382</b>	<b>100,0 %</b>

Note 1 - Nominee account.



## Note 13: Related parties

### 13.1 Shares held by current members of the Board, as at 31/12/17

Board Member	2017	2016
David McManus	845,603	796,116
Marius Hermansen	38,931	14,568
Nicolai Grigoriev	---	---
Ola Lorentzon	950	---
Total	885,484	810,684

### 13.2 LNGC technical specifications and construction agreement

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. In the period to 31 December 2017, costs of \$4.4m have been capitalized of which \$0.8m were outstanding at the period end.

### 13.3 Transactions with affiliates of Geveran

At 31 December 2016, the Group had an outstanding loan payable balance with Metrogas, an affiliate of Geveran. Following the private placement in the first quarter of 2017, this loan was repaid in full.

During the first quarter of 2017, the Group entered into an agreement with Sterna Finance Ltd ("Sterna"), an affiliate of Geveran, for a revolving credit facility of \$270m. At 31 December 2017, the Group had a payable balance of \$160m in relation to this loan. Following the drawdown of bank loans in January 2018, \$100m was repaid to Sterna. The Group incurred interest of \$1.3m in relation to this loan in 2017.

### 13.4 Overhead costs

The FLEX Management company receives staff, office, commercial, legal and accounting support from companies affiliated to Geveran, at the period end costs of \$1.0m (2016: \$261k) had been incurred of which \$0.2m were outstanding at the period end.

## Note 14: Commitments and contingencies

### 14.1 Capital Commitments

The remaining capital commitments are detailed in the table below.

USD (millions)	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q2 2019</u>	<u>Q3 2019</u>
SHI HN 2107, LNGC	64.54	42.38			
SHI HN 2108, LNGC		64.54	42.38		
DSME HN 2447, LNGC	10.18				
DSME HN 2448, LNGC	10.18				
DSME HN 2470, LNGC				144.00	
DSME HN 2471, LNGC					144.00
<b>Total</b>	<b>84.90</b>	<b>106.92</b>	<b>42.38</b>	<b>144.00</b>	<b>144.00</b>



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 three months. HN 2107 is expected to be delivered May 2018 while HN 2108 is scheduled for delivery July 2018.

#### **14.2 LNGC Time Charters**

During first quarter the Group has entered into four separate LNGC time charters for 180 days with the option to extend for a further 180 days. During the second quarter, options to extend have been exercised for two LNCGs, and the other two have been redelivered. The estimated remaining charter commitments as at 31 December total \$8.2m, based on expected return dates and including off-hire periods.

#### **14.3 Other financial liabilities**

In 2014 a loan agreement was entered into with Metrogas (an affiliate of Geveran) for the provision of a \$7.0m loan to the Company, the loan was repaid in the first quarter of 2017. As of 31 December 2017, the amount outstanding for the Metrogas loan was nil.

In the first quarter of 2017, the Company entered into a transaction to acquire of two high-end MEGI LNGC newbuilds from an affiliate of Geveran. The consideration payable for the newbuilds was comprised of 78 million newly-issued shares in the Company and \$ 270.0m seller credit which was financed through the \$ 270m Sterna RCF. Following two private placements completed in the first half of 2017, \$110.0m of this loan has been repaid, with \$160.0m outstanding.

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. As of 31 December 2017, the amount outstanding under the \$315m secured term loan facility was nil.

### **Note 15: Subsequent events / after balance sheet date**

On 9 January 2018 the Company successfully took delivery of its first LNG carrier newbuilding the FLEX ENDEAVOUR. In connection with the delivery \$105m of the TLF was paid out. A further \$105m was paid out in connection with the delivery of sister vessel FLEX ENTERPRISE which was delivered on 11 January 2018. Following these deliveries, \$100m under the Sterna RCF was repaid and the outstanding amount under the \$270m Sterna RCF is thus \$ 60m.

As of 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.

### **Note 16: Going Concern**

The 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 currently remains appropriate for the Group. At 31 December 2017, the Group had secured bank funding of up to \$315m for three vessels; in addition, \$110m of the Sterna RCF was available to be drawn. In January 2018, \$210m was drawn down from the bank facility on delivery of the FLEX ENDEAVOUR and the FLEX ENTERPRISE. The proceeds of this loan were used to repay a further \$100m of the Sterna RCF which remains available to the Group.

The Company requires additional funding to meet future newbuilding instalments and 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 17: Financial risk management objectives and policies**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program considers the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance, in a cost effective manner.

### **Currency risk**

The risk that the value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Company has historically raised its equity funding in USD, with the share price denominated in NOK, but with the funding proceeds being fixed into USD.

Additionally, the Group incurs some overhead costs in GBP and NOK. Historically these exposures have not been hedged. The Company's shares are traded in NOK. The NOK trading price is impacted by the underlying activities of the Group, which are primarily denominated in USD. Currency fluctuations of an investor's currency of reference relative to the NOK may also adversely affect the value of an investor's investments.

### **Interest rate risk**

The Group currently has interest bearing assets and liabilities. Amounts are placed on deposit for periods to secure higher returns, while balancing the need to access funds as required. The cost on the interest bearing liabilities has been raised at a fixed rate of interest.

### **Liquidity risk**

The Group monitors its risk to a shortage of funds using a cash modeling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations. Historically funds have been raised via equity issuance and loan finance. Market conditions can have a significant impact on the ability to raise equity and loan finance, while new equity financing may be dilutive to existing shareholders and loan finance which will contain covenant and other restrictions.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the raising of finance from investors.

Upon delivery of the respective vessels from the yards, the Company will look to have raised loan finance to cover the remaining delivery payments that are due.

### **Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Currently the main exposure to credit risk comes from the paid-in installments made to Samsung and DSME. Samsung has provided refund guarantees for the \$210m instalment payments. The bank providing the refund guarantee must hold at least a



credit rating of A-. Seatankers Management Co. Ltd., an affiliate of Gevean, has provided refund guarantees for the \$72m instalments paid to DSME.

Cash funds are currently held with DnB, RBS and Barclays.

#### **Price risk**

The Group is also subject, indirectly, to price risk related to the spot/short term charter market for chartering LNG carriers. Charter rates may be uncertain and volatile and depend upon, among other things, the natural gas prices, the supply and demand for vessels, arbitrage opportunities, vessel obsolescence and the energy market, which the Group cannot predict with certainty. Currently, no financial instruments have been entered into to reduce this risk.

#### **Operational risk**

Currently the Group is managing the construction phase for the vessels and has yet to secure charters for the vessels. Operational risks therefore mainly relate to expenditure being higher than forecast, decisions on the design specifications, risks to the **environment** and risks to the safety of staff. At a commercial level it also includes the ability to secure employment contracts on reasonable terms for the vessels under construction; and obtaining finance and working capital on reasonable terms. In 2017 it will include the four LNGC vessels that have been chartered in.

#### **Regulatory and compliance risk**

These are risks associated with ethical behavior covering the handling of sensitive information and compliance with laws and regulations. These risks are managed via Group policies and guidance.

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting Flex LNG Ltd

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Flex LNG Ltd, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, the income statement, statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Flex LNG Ltd present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's *responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

#### Impairment evaluation of vessels under construction

Vessels under construction booked in the accounts named "New building assets" and "Vessel purchase prepayment" is 666.9 million USD for the group. This consists of prepayments and installments for purchases of six LNG vessels and capitalized cost related to construction of these. Management made based on current market condition an impairment evaluation at yearend. The impairment evaluation is dependent on a range of assumptions such as expected utilization and day rates, which in turn are dependent on future market development and economic conditions. Vessels under construction represents 97.4% of total assets and is considered a key audit matter due to the relative size and the involvement of management's judgment in assessing the estimates and assumptions.

Our audit procedures included an evaluation of the cash flows projected by management. We evaluated the assumption of expected useful life, operating expenditures and dry dock cost to the market expectation within the sector through comparing the assumptions to available external data such as data from comparative companies, observable market rates, available contract information and external macroeconomic analysis. Furthermore, with the assistance from internal valuation experts, we evaluated the discount rate used in the value in use model comparing the different elements with external data such as market risk premium, risk free interest on government bonds and beta for comparable companies, and by evaluating that Flex LNG had applied adjustments for company specific factors. We also evaluated the level of consistency of the assumptions used in the valuation methodology from previous years and tested the mathematical accuracy of the valuation model.

Refer to note 8 regarding new building assets and capitalized costs.

### **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bergen, April 24 2018  
ERNST & YOUNG AS



Jørn Knutsen  
State Authorised Public Accountant (Norway)



## FLEX LNG Group

# Consolidated and Company Annual Report and Financial Statement 2016

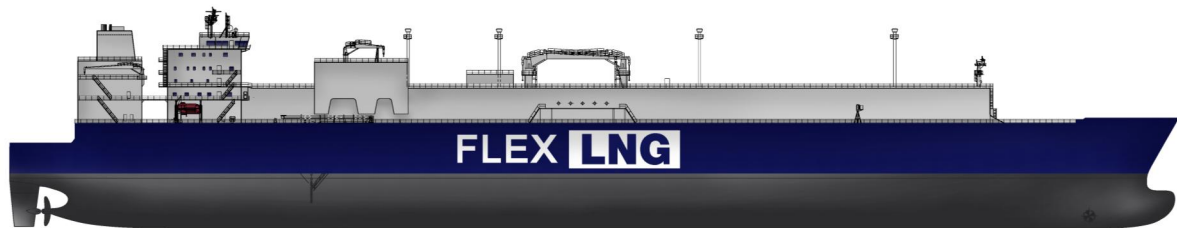


Illustration courtesy of Samsung Heavy Industries



# General Information, FLEX LNG Ltd.

## Directors

David McManus (Chairman)  
Robin Bakken  
Marius Hermansen

## Company Secretary

Manx Secretarial Services Limited  
Jubilee Buildings, Victoria Street  
Douglas, IM1 2SH  
Isle of Man

## Registered Office

Craigmuir Chambers  
P.O. Box 71  
Road Town  
Tortola  
British Virgin Islands

## Auditors

Ernst & Young AS  
Thormøhlens gate 53 D, NO-5008 Bergen  
P.O. Box 6163 Postterminalen  
NO-5892 Bergen, Norway

## Bankers

Barclays  
Victoria Street  
Douglas, IM99 1AJ  
Isle of Man

HSBC  
1st Floor, 60 Queen Victoria Street,  
London, EC4N 4TR  
United Kingdom

Lloyds  
PO Box 328, Victory House  
Douglas, IM99 3JY  
Isle of Man

RBS  
280 Bishopsgate,  
London, EC2M 4RB  
United Kingdom

## Chairman's Statement

I believe that 2017 will be a transformative year for the FLEX LNG Group. In March 2017 the Group completed the acquisition of two new LNGC newbuilds and raised approximately \$100m of additional capital. This is an important first step into building FLEX into a leading player in the LNG market. The Group is well placed with four highly efficient state of the art vessels with delivery dates expected to match improvements in the chartering market.

I am also delighted to highlight the appointment of Mr. Jonathan Cook, as Chief Executive Officer, a highly regarded LNG industry figure, who will lead the Company forward over the coming years. The Company is also looking to grow both the business development, technical and ship management capabilities of the Group over the coming quarters. In February 2017, Mr. Thomas Thorkildsen joined to lead the business development activities of the Company. Mr. Thorkildsen comes to the Group with extensive Floating Storage and Regasification Unit (FSRU) and LNG commercial experience and knowledge.

In December 2016 the Company signed a Heads of Agreement to create a full value chain solution for customers looking to purchase LNG from the NextDecade Rio Grande LNG export project in Brownsville, TX. The parties will look to develop FSRU and dockside solutions for international customers of NextDecade's. The Company has significant FSRU competence internally, and through its sponsor organisation and is actively pursuing opportunities to leverage its experience towards the implementation of FSRU projects. The Company is positioned to target this market, which is expected to grow significantly over the next three to five years.

The Company has a proactive approach to further accretive structural transactions, with strong backing from its main shareholder to pursue transformational deals. The Company will look to leverage all financing options for the lowest possible capital costs. Its main shareholder has consistently demonstrated its strong access to the capital and financing markets.

The Group is working on several attractive growth opportunities both within LNGC and FSRU segments, which I look forward to providing further details on in the future.

David McManus

Chairman

## BOARD OF DIRECTOR'S REPORT 2016

### Business update

In the year the Company has commenced steel cutting and continues to monitor the construction of its LNG carriers. The Company has appointed Bernhard Schulte Shipmanagement for the technical management of the vessels. In addition to the appointment of Mr. Jonathan Cook, as Chief Executive Officer in March 2017, the Company expects to grow both the business development, technical and ship management capabilities of the Group over the coming quarters. In February 2017 Thomas Thorkildsen joined to lead the business development activities of the Group.

In February 2017 the Company entered into a transaction for the acquisition of two high-end MEGI LNGC newbuilds at Daewoo Shipbuilding and Marine Engineering ("DSME") with scheduled delivery in Q1 2018 (the "Transaction"). The two newbuilds were bought from affiliates of Geveran Trading Co. Ltd. ("Geveran"), the Company's largest shareholder. The Transaction gave the Company a uniform fleet of four LNG MEGI carriers with expected delivery in early 2018 with the most advanced propulsion and fuel efficiency technology compared to the existing LNG fleet.

Parts of the consideration payable for the newbuilds were settled by the Company through the issuance of 78 million new shares in the Company to Geveran. The remaining part of the consideration was settled by a USD 270 million credit structured as a revolving credit facility (the "\$270m Facility"). The Company also assumed responsibility for the remaining newbuilding instalments payable to DSME amounting to approximately \$20.4m, the remaining instalments on the Samsung deliveries are detailed in note 15.1. The \$270m Facility has an attractive fixed interest rate of 1.00% until delivery and is an indication of the strong support the Company is enjoying from its largest shareholder.

In connection with the Transaction, the Company raised the equivalent of approximately \$100m through the issuance of 72 million shares (the "Private Placement"). The Private Placement received strong interest from large institutional investors and was significantly over-subscribed.

The \$270m Facility is structured to allow draw and repay at Company's discretion, which give the Company growth capital while minimising interest cost during construction. The interest is be fixed until delivery and LIBOR + 300 bps with tenor of 3 years from delivery. The intention is to repay the \$270m Facility with bank debt when the vessels are delivered, but it will still be available, after delivery of the newbuilds, at the Company's discretion to pursue growth opportunities and to manage the cash position. The Company currently expects that this facility and anticipated bank debt will cover the Group's working capital needs for the following twelve months.

Following the receipt of the proceeds from the Private Placement, the Company repaid \$70m under the \$270m Facility (which was fully drawn upon closing of the Transaction) and repaid the \$7m Metrogas loan.

The Transaction consolidated all of Geveran's LNG assets and activities in FLEX, which now is well positioned to capitalise on the expected growth in demand for LNG shipping. The growth in shipping demand will be driven by the substantial increase in global LNG

## BOARD OF DIRECTOR'S REPORT 2016 (continued)

### Business update (continued)

production together with the future growth of global energy demand. The year 2016 saw a net increase of LNG imports compared to 2016 of 17 million tonnes. The growth in imports included four new LNG importing countries. Out of these four new importing countries, three chose their import terminal solution in the form of a floating storage and regasification unit (FSRU) (Jordan, Pakistan and Egypt). FLEX LNG expects the coming growth of LNG production and the expected growth in demand for natural gas in combination with the lack of ordering activity for LNG carriers to gradually tighten the shipping market in the near term. The timing of FLEX LNG's delivery position in 2018 should provide the Company with attractive alternatives for employment of the four vessels.

Most of the future growth in world energy demand is expected to come from rapid growing emerging economies, with a significant portion of this growth likely to stem from China and India. From the three commercial commodities (coal, oil and natural gas) natural gas is the only one that is expected to continue to grow its relative portion of their share of the primary energy portfolio. The significant LNG production coming to the market (especially from the US) is expected to maintain LNG as a competitively priced energy commodity. This will be a positive driver for down stream product demand as well as the demand for shipping. It will also be a significant driver for the interest in floating terminals to remain high, together with their general flexibility and fast track implementation. The floating terminals will continue to open up new markets for LNG, which will also have a positive effect for shipping demand.

As such, the Company remains well positioned with its four MEGI LNG carriers set for delivery in 2018. We believe the strengthening market sentiment and spot rates paid for LNG carriers will continue, and also believe that the market will prefer the improved efficiencies of these state of the art MEGI vessels. The Company is actively marketing the newbuild LNGCs in both the term and spot markets to be in the best position in the improving market.

In December 2016 FLEX LNG Shipping Limited, a subsidiary of the Company, entered into two separate LNGC time charters for 180 days with an option to extend for a further 180 days. The vessels are modern TFDE +170,000m<sup>3</sup> and will be delivered in late Q1 2017. In addition, in 2017, FLEX LNG Shipping Limited entered into two further charters on similar terms. FLEX LNG Shipping Limited is actively marketing these LNGCs in the spot and short term charter market and has already chartered out one vessel for twelve months. In addition the chartering will allow the Group to establish a presence in the market and build an operational track record and chartering relationships.

In December 2016 the Company and NextDecade Global Solutions signed a Heads of Agreement to create a full value chain solution for customers looking to purchase LNG from NextDecade Rio Grande LNG export project in Brownsville, TX. Initially, NextDecade and FLEX LNG will develop FSRU and dockside solutions for international customers of NextDecade's, with the LNG supply also provided by NextDecade.

The Company has significant FSRU competence internally, and through its sponsor organisation. FSRU opportunities are actively being pursued to leverage its experience towards the implementation of FSRU projects. The CEO Jonathan Cook was co-founder of

## BOARD OF DIRECTOR'S REPORT 2016 (continued)

### Business update (continued)

Excelerate and Senior VP Thomas Thorkildsen was former head of business development at Höegh LNG. The Company will continue to have a proactive approach to further accretive structural transactions. It is constantly evaluating opportunities in the charter, newbuild and second-hand market and has strong backing from its main shareholder to pursue transformational deals. The Company will look to leverage the full array of financing options for the lowest possible capital costs. Its main shareholder has consistently demonstrated its strong access to the capital and financing markets.

### Funding and Going Concern

The Board believes that the going concern assumption currently remains appropriate for the Group. Given the new \$270m Facility, the current high level of paid in equity, the support of its main shareholder and the debt finance expected to be raised when the vessels are delivered from the yards, the Company is expected to have working capital for the next twelve months.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed below, which could impact the carrying value of recognised assets.

### Risks

The FLEX LNG Group is currently focused on becoming a leading owner of fuel efficient LNG carrier vessels and FSRU's. The Group is exposed to a variety of commercial, operational and financial risks, including market risks, credit risks, interest rate, capital risk and liquidity risks.

The uncertainties and risks include those detailed in the 2016 accounts and as summarised below. Risks associated with the ability to secure employment contracts on reasonable terms for the vessels under construction and the vessels chartered in by the Company, risks associated with newbuilding projects such as managing the design and construction process properly and counterparty risks, risks associated with obtaining delivery finance on reasonable terms, risks associated with the general LNG and LNG shipping market conditions and trends and risks of increased competition from the Group's competitors and oversupply of vessels.

Another key risk is the risk of lack of attractive funding. The Company has historically funded its operation from a combination of equity and loans from affiliated companies of the Company's key shareholder, Geveran. Although the Company now has available funds under the \$270m Facility, no assurance can be given that the Group will obtain such financing in the future and further funding (which is necessary to complete its planned growth strategies and to cover the remaining delivery instalments) is subject to market risks and other risks that may influence the availability, structure and terms of such financing.

In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all. Additional detail on working capital requirements and an analysis of the risks to the Company are provided in accounts notes 1.4, 17, 18, and 19 and Corporate Governance section 10.

## BOARD OF DIRECTOR'S REPORT 2016 (continued)

### Income Statement and Balance Sheet

The Group cash balances at 31 December 2016 were \$1.4m (2015: \$3.7m) with a \$2.3m outflow year to date (2015: \$3.0m net outflow). In the twelve months in 2016 the operating cash outflow was \$1.1m (principally the operating loss after adjusting for the non cash, working capital movements and finance costs paid). In addition costs of \$1.2m were capitalised (2015: \$0.2m). The retained loss for the year 2016 was \$1.8m (2015: \$2.5m - loss), which has been transferred to reserves.

During the year the Company has continued to hold the investments in its subsidiaries and managed the strategic direction of the Group. The cash balances at 31 December 2016 were \$1.3m (2015: \$3.6m). In the twelve months in 2016 the operating cash outflow was \$1.6m (principally the operating loss less the non cash income statement entries, working capital movements and interest paid) and investing activities outflow \$0.8m (loans to subsidiaries). The retained loss for the year was \$1.6m (2015: \$1.7m - loss), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

### The Board

There have been no changes in the composition of the Board during the financial year.

### Environmental Reporting

The Company has an objective that all activities that are performed are to be carried out so as to minimise negative impacts to people and the environment. Given the pre-commercial nature of the operations there is currently minimal corporate impact on the environment.

### Working Environment and Personnel

At the end of 2016, FLEX LNG and its subsidiaries had in total 1 employee, 1 man and no woman. All personnel are employed by FLEX LNG Management Limited. There have not been any serious injuries or accidents in the current or prior year and total absence due to sickness has been minimal during the accounting year. The FLEX LNG's Board of Directors currently consists of 3 men. The Company's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

### Post Balance Sheet Events

There have been no significant post balance sheet events, other than those listed in note 16.



## BOARD OF DIRECTOR'S REPORT 2016 (continued)

### Corporate Governance

The Group is committed to good corporate governance; additional details may be found in the corporate governance report.

Board of Directors of FLEX LNG Ltd  
29 March 2017

David McManus (Chairman)

Robin Bakken

Marius Hermansen



## Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Board of Directors of FLEX LNG Ltd  
29 March 2017

David McManus (Chairman)

Robin Bakken

Marius Hermansen

## Corporate Governance Report

### 1 ) Implementation and reporting on corporate governance

As a company incorporated in the British Virgin Islands ("BVI"), the Company is subject to BVI laws and regulations. Additionally, as a consequence of being listed on Oslo Axess, the Company must comply with section 3-3b) of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance (the "Code of Practice") on a "comply or explain" basis. Further, the Company has in place a Memorandum and Articles of Association, which set forth certain governance provisions. The Norwegian Accounting Act is found on [www.lovdata.no](http://www.lovdata.no) and the Code of Practice is found on [www.nues.no](http://www.nues.no).

The Group is committed to ensuring that high standards of corporate governance are maintained and is committed to high ethical standards in dealings with all stakeholders, including shareholders, debtors, customers, vendors and employees. Strong corporate governance principles help to ensure that the Groups' standards are applied to all its operations, and the Board has furthermore implemented a Code of Conduct and Ethics and the Company will also look to comply with the material aspects of the Code of Practice for Reporting IR Information. Additionally policies have been put in place to cover health and safety, quality and environment commitment. The Company believes that these policies broadly set out the Company's corporate social responsibility. Further information in this respect is available on [www.flexlng.com](http://www.flexlng.com).

The Board of Directors has based its corporate governance practices on the principles set out in the Code of Practice. However, since the Company is governed by BVI laws and regulations, and given the current nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum and Articles of Association, BVI and Norwegian law.

### 2 ) Business

FLEX LNG is currently focused on becoming a leading owner of fuel efficient LNG carrier vessels and FRSUs. The objectives are within the framework of the Company's Memorandum and Articles of Associations, which may be reviewed at [www.flexlng.com](http://www.flexlng.com). The objectives stipulated in the Memorandum and Articles of Associations are as follows: 'commercial activity relating to securing hydrocarbon feed stock for floating liquefaction projects, constructing, owning and operating floating liquefaction vessels and/or LNG vessels and sales and marketing of hydrocarbons and business in connection therewith, including investing in other companies.'

The Group operates principally through its subsidiaries. The Company is currently focused on the construction of the LNG carrier vessels on order, including obtaining commercial charter parties, and future FSRU projects. The business principles are as follows;

- Protection of human lives and the environment and servicing our customers are the top priorities. By working with clients to jointly explore business opportunities FLEX LNG intends to develop long lasting relationships based on trust and a goal of creating economic value
- FLEX LNG will strive to provide superior shareholder returns
- FLEX LNG will aim to attract and retain highly qualified individuals through compensation packages that align employees and shareholders' interest
- Creativity and innovation spearheads the commercial and technical work conducted by FLEX LNG. In an effort to stay ahead of competition FLEX LNG will relentlessly drive for continuous improvements that permeate the FLEX LNG culture
- FLEX LNG emphasises integrity and honesty in the way it does business

### 3 ) Equity and dividends

#### *Equity*

The appropriate level of equity for the Group is evaluated by the Board on an ongoing basis, via reviews at the Board meetings. Total share capital at 31 December 2016 was USD 1,279,456.57, divided into 127,945,657 shares of USD 0.01 each. The directors believe this is currently satisfactory given the Group's business and objectives, but will be increased if the Company raises additional funds.

## Corporate Governance Report (continued)

### 3 ) Equity and dividends (continued)

#### *Debt*

As at year end 2016, the Company had borrowed \$7.0m from Metrogas for the provision of working capital. The Metrogas Loan was repaid in full upon closing of the Transaction and the receipt by the Company of the proceeds from the Private Placement. In connection with the Transaction, the company was granted the \$270m Facility, which was fully drawn upon completion of the Transaction (to part finance the acquisition costs of the newbuilds at DSME). On the receipt of the proceeds from the Private Placement, the Company repaid \$70m under the \$270m Facility, so approximately \$70m is currently available under the \$270m Facility. Once on charter the debt-to-equity leverage of the LNG carriers will be dependent upon the contract structure and the debt market at that point in time.

#### *Dividend policy*

As the Group has yet to produce stable cash flow, or to secure a commercial contract, dividends will not be considered in the near term.

#### *Equity mandates*

As a BVI company it has an unlimited maximum for the authorised number of shares per its Memorandum and Articles of Association. To issue new shares or amend the authorised number of shares, it requires an ordinary shareholder resolution and Board approval. Should the Company seek a mandate to increase the company's capital it will look to define the purpose for the mandate in line with the recommendations of the Code of Practice. Such mandates will ordinarily be given with effect only up until the next annual general meeting. The same applies with respect to mandates to repurchase the Company's own shares. The issued share capital for the Group is detailed in the annual and quarterly reports which may be viewed at [www.flexlng.com](http://www.flexlng.com).

In connection with the issuance of shares in the Company, the shareholders have (except to the extent they are waived) pre-emptive rights to the new share on a pro-rata basis. Currently, the Board has not resolved and does not intend for the Company to acquire its own shares.

### 4 ) Equal treatment of shareholders and transactions with close associates

The Company has only one share class, with identical voting rights. All shareholders are treated equally and the Articles of Association do not contain any restrictions on voting rights. Where there is a need to waive the pre-emption rights of existing shareholders this will be justified at the time of approval or where based on an existing mandate justified in the stock exchange announcement in relation to the increase. Where the Company carries out a transaction in its own shares the intention is for this to occur through the stock exchange or at prevailing stock exchange prices, to ensure equal treatment of all shareholders. In situations where there is limited liquidity in the shares, the Company will seek other procedures to ensure that the equal treatment of shareholders is maintained.

All transactions between the Group and its close associates as defined by the Group's Code of Conduct are at arm's length and market prices. The Memorandum and Articles of Associations and the Group's Code of Conduct require Board members and executive staff to disclose interests in transactions entered into with the Group. Where appropriate the Group ensures third party independent evaluation, where defined by the Code of Conduct, or determines that the transaction is on an arm's length basis and at market prices. Any transactions between the Group and close associates will be detailed as related party transactions in note 14 to the financial statements. The costs incurred are, in the Company's opinion, made at market terms.

### 5 ) Freely negotiable shares

With limited exception, all shares in the Company are freely negotiable, and the Articles of Association contain no form of restriction on the negotiability of the shares, or on voting rights.

However, as a BVI company, and to protect existing Norwegian shareholders from adverse tax consequences in Norwegian Controlled Foreign Corporations Regulations, the Group may, in accordance with the Articles of Association, deny the transfer of shares which would lead to Norwegian ownership being deemed a Controlled Foreign Company. This type of restriction is normal for British Virgin Islands and other low-tax jurisdiction companies listed on the Oslo Axess.

Furthermore, the shareholders of the Company have on the Annual General Meeting in 2016 and 2015 resolved to issue up to 100% of the remuneration for the directors for the two years as new shares in the Company, that are to be subject to a lock-up. The two share issuances covering the board remuneration for the 2016 and 2015 year shall become unlocked either on the first or second anniversary after their respective grants.

## Corporate Governance Report (continued)

### 6 ) General meetings

The Annual General Meeting ("AGM") is the forum for the Company's shareholders to participate in major decisions, and is held each year. The Company's Articles of Associations require 14 days notice for Annual and other Shareholder Meetings, rather than 21 days, which is the recommendation of the Code of Practice. Currently, given the Company position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on. The notice for Annual and Extraordinary General Meetings shall include relevant material to enable the shareholders to make an informed decision, including the recommendation of the nomination committee and to vote separately on each matter being considered, including the candidates nominated for election. The documentation will be sent to shareholders either electronically or on paper. Registration can be made in writing or by e-mail. All shareholders are entitled to speak and vote at the General Meetings. The Board of Directors shall take steps to ensure that as many shareholders as possible can exercise their rights by participating in General Meetings, for instance by setting deadlines for shareholders to give notice of their intention to attend the meeting (if any) as close to the date of the meeting as possible and by giving shareholders who are not able to attend the option to vote by proxy. The procedure to vote by proxy will be described in the notice of the AGM. The Board of the Company shall make arrangements for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

The AGM shall be organised in such a way as to facilitate dialogue between shareholders and the officers of the Company. Thus, the Board of Directors will ensure that a member of the Board and the auditor will be available to answer questions. The Board of Directors has not made arrangements for an independent Chairman for each AGM, or for the nomination committee to be present; it believes that the Board Chairman can act independently and in the interests of shareholders. The notice of the General Meeting as well as supporting documents will be made available on the website [www.flexlng.com](http://www.flexlng.com) as well as [www.newsweb.no](http://www.newsweb.no) where the decisions from the general meetings will also be made available.

FLEX LNG strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the shareholders' meeting. In the view of the Company, the current shareholder structure, the shareholder representation, the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board. In addition, given the Company's current development and given the good communications with shareholders, it does not believe that it is necessary for all Directors, Nomination Committee and auditor to be physically present at the General Meetings, or for there to be an independent Chairman, and that 14 days notice is sufficient for the AGM. The Chairman, executive management, and auditor will participate in the meeting at a minimum.

### 7 ) Nomination Committee

The Company operates a nominating committee, which is responsible for identifying, recommending board candidates to the AGM and shall justify the recommendation to shareholders against the requirements in section 8) below, taking into account the interests of shareholders in general. The committee's obligations and responsibilities are established in the Company's Articles of Association and via procedures for the nomination committee, as approved by the AGM. This includes the responsibility of proposing members to the Board of Directors and members of the Nomination committee. The Nomination committee shall also propose the fee payable to the members of the Board and the members of the Nomination committee. The recommendations of the Nomination Committee will be justified. Currently George Linardakis and Marcus Hansson comprise the members of the Nomination Committee, are independent of the executive management and the Board. All members are elected by the shareholders for a period until the 2017 AGM and their remuneration was approved at the 2016 AGM. The Company and the Committee can be contacted, if shareholders wish to discuss nominations with the committee, or to submit proposals for candidates for election.

### 8 ) Corporate assembly and Board of Directors: composition and independence

As a BVI registered company with 1 employee as at 31 December 2016, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.

The Company's Board of Directors shall comprise between 3 to 9 directors pursuant to the decision of the General Meeting. The Company's Board of Directors currently comprises 3 directors, of whom all are considered independent of executive management, the composition aims to ensure that the interests of all shareholders are represented. Of the three members, no directors are associated with a shareholder with a holding exceeding 10%, other than Marius Hermansen. The composition of the Board of Directors, including the controls to avoid conflicts of interest, is in accordance with BVI company law, the Memorandum and Articles of Association and good corporate governance practice.

## Corporate Governance Report (continued)

### 8 ) Corporate assembly and Board of Directors: composition and independence (continued)

The Company endeavours to ensure that it is constituted by directors with a varied background and the necessary expertise, diversity and capacity to ensure that it can function effectively. The directors are elected by the General Meeting, for service periods of two years or such shorter period as stated in the relevant resolution. Directors may be re-elected and there is no limit on the number of terms that any one director may serve. Re-election of the current directors is due at the AGM in 2017. They may be removed by a majority vote at any time. Currently the Board has elected the Chairman, rather than the shareholders, given the Company's current development status the Company believe that this is satisfactory and that the Chairman can ensure that the board is effective in its tasks of setting and implementing the Company's direction and strategy.

The Directors are encouraged to hold shares in the Company, which the Board believes promotes a common financial interest between the members of the Board and the shareholders of the Company. In accordance with the General Meeting's resolution, the Directors received between 0% and 80% of their remuneration in shares for 2016.

All Directors participated in the 2016 Board meetings.

The current Board members are listed below:

#### Mr. David McManus, Chairman (63) - Independent

Mr. McManus has served on the Board since August 2011, and was elected as chairperson in September 2011. An exceptionally experienced international business leader in the Energy Sector, with strong technical and commercial skills and has previously served as Executive Vice President and Head of International Operations for Pioneer Natural Resources. He is currently serving as non-executive director for a number of listed companies, namely; Hess Corporation, a large NYSE listed oil and gas company with upstream operations in North America, Europe, Africa and Asia; Rockhopper Exploration plc, a UK AIM listed exploration company with assets in the Falkland Islands; Costain plc, one of the UK's leading engineering solutions providers; and Caza Oil and Gas, a dual listed exploration and production company with assets onshore USA. Mr. McManus was previously Chairman of Cape plc an energy service company, which has been involved as a contractor in more than 50% of the world's LNG facilities, including Sakhalin, RasGas, Qatargas, Damietta, Idku, North West Shelf, Pluto and Arzew. He has 39 years of experience in Technical, Commercial, Business Development, General Management and Executive roles across all aspects of the international oil and gas business, including; BG Group, ARCO, Ultramar, Shell and Fluor Corporation. Mr. McManus is a graduate of Heriott Watt University, Edinburgh.

#### Mr. Robin Bakken, Board member (42) - Independent

Mr. Bakken joined the Board in October 2014, he is a partner with the law firm BA-HR in Oslo, Norway. He has extensive experience in corporate transactions (equity capital markets and M&A), and is currently heading BAHHR's corporate practise group. He specializes in securities law, company law and corporate governance, and regularly acts for issuers, investment banks and sponsors in public and private transactions. Mr. Bakken joined BA-HR in 2000, being a partner from 2007. He graduated at the University of Oslo with a law degree in 2000.

#### Mr. Marius Hermansen, Board member (38)

Mr. Hermansen joined the Board in December 2015, he works for Frontline Management and is involved in S&P activities for Frontline and all related companies. Previously he worked for over 10 years at Fearnleys. He was educated at the Norwegian School of Economics (NHH) in Bergen and started as a trainee with AP Moller-Maersk.

The Executive Management are listed below:

#### Jonathan Cook, Chief Executive Officer (54), from 01/03/17

Mr. Cook's career spans more than 30 years in the maritime and energy sectors with the last 16 years in the LNG sector. After graduating from Texas A&M University at Galveston, where he later served on the Board of Visitors, he held key positions with Coastal, El Paso, and Excelerate Energy, in addition to his 11-years career at sea as a licensed deck officer where he achieved the rank of Master Mariner. As a founding partner at Excelerate Energy in 2003, Mr. Cook was part of the leadership team that pioneered new frontiers in LNG shipping and transportation, by developing and marketing floating storage and regasification technologies to address the logistical challenges of importing and exporting LNG worldwide. During his time at Cardiff LNG, Mr. Cook managed the commercial activities including spot trading and business development and played an instrumental role in bringing Cardiff LNG to the forefront of the LNG shipping sector.

## Corporate Governance Report (continued)

### 9 ) The work of the Board of Directors

The Board is ultimately responsible for the management of the Company and for supervising its day to day management. The Board approves an annual budget plan for the business. In addition, policies have been approved that cover the responsibilities of the Board and those of the Management of FLEX LNG Management Limited. The Company has established a Compensation and Audit Committee. Each committee contains the full Board and is chaired as follows; Compensation – Robin Bakken; and Audit – Marius Hermansen. The committees perform the following roles: Compensation – to review and recommend remuneration for senior management; and Audit – to review the financial reporting and controls for the Group. The audit committee will hold separate meetings with the auditor at least once a year, with the auditor inputting on the agenda items. The composition of the audit committee represents a deviation from the Code of Practice. It is however the view of the Board that the current size of the Board does not necessitate the establishment of a separate a sub-committee consisting of only a portion of the directors. The Board will however continue to monitor the development and will consider to establish a separate sub-committee in the event this is deemed to be in the interest of the shareholders.

The Board is scheduled to meet in person between one and two times a year, and additionally approximately two times by telephone conferences, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances. In the 12 months in 2016 the Board has convened two times, and has met on one occasion. The main responsibilities of the Board cover the following main areas; strategic planning and decision making for the executive management to implement; ensure Board instructions are complied with; remain well informed on the Company's and Group financial position; production of an annual work plan; ensure the adequacy of executive management and their roles are clearly defined; annually to review the most important areas of risk exposure, including risks and controls related to financial reporting; ensuring an appropriate system of direction, risk management and internal control is established and maintained; to adopt guidelines for the frequency and policy for external financial reporting; and to agree on the dividend policy. The Board are briefed on the Company's financial situation, the vessel construction and charter position, market conditions, the liquidity situation and cash flow forecast.

The Chairman of the Board of Directors carries a particular responsibility for ensuring that the Board of Directors performs its duties in a satisfactory manner and that the Board is well organised. The Board has the overall responsibility for the management of the Group and has delegated the daily management and operations to the executive management, who are appointed by and serves at the discretion of the Board, and also reports to the Board. Further, the executive management, of the management company, are responsible for ensuring that the Company's accounts are in accordance with all applicable legislation, and that the assets of the Company are properly managed. The powers and responsibilities are defined in more detail by the Board of Directors.

The executive management have the collective duty to implement the Company's strategic, technical, financial and other objectives, as well as to protect and secure the Group's organisation and reputation.

In the event that the Chairman of the Board cannot attend a meeting or is conflicted in leading the work of the board, an alternate chairman will lead the meeting.

### 10 ) Risk management and internal control

The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of FLEX LNG. Principal among these risks currently are; the ability to secure employment contracts on reasonable terms for the vessels under construction and for the vessels chartered in by the Group; risks associated with construction projects in general (including risks associated with the design of the vessels, counterparty risks and the financial strengths of the yards), risks associated with the capacity of the Group to obtain future finance on reasonable terms; risks associated with the ability of the Company to retain key staff, the general LNG and LNG shipping market conditions and trends, the charter market conditions for the LNGC vessels, and financial risks. In addition, the following risks inherent in the business of the Group are monitored: Risk associated with fluctuations in commodity prices, changes in the charter market, exchange rates, increased competition, the political, regulatory and tax environment of the Group, counterparty performance, risks associated with potential growth of the business and the proposed application of new technology including the potential for vessel obsolesce. The Board, working with the Audit Committee and through the annual audit process, ensures that FLEX LNG has reliable internal controls and systems for risk management.

The Board is presented an annual budget at the end of the preceding financial year. Thereafter, the Board is presented with regular updates and quarterly reporting. Explanations are obtained for material variances. The Audit Committee has the responsibility to evaluate risk exposure and internal control on an annual basis. The Board is also presented financial statements on a quarterly basis, which are reviewed with the executive management. FLEX LNG's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

## Corporate Governance Report (continued)

### 11 ) Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors is determined annually by the General Meeting, on the basis of the Board's responsibility, expertise, time commitment and the complexity of the Group's operations, and is disclosed in note 3 to the financial statements. Through the Company's remuneration of directors, part of which has historically been in stock, the Company has encouraged directors to own shares in the Company. The remuneration is not linked to the Company's performance. No non-executive directors have been granted share options and no directors are part of the incentive programs available for the executive management and/or other employees, details in section 12 below.

As a general rule, no directors (or companies with which they are associated) shall take on specific assignments for the Company in addition to their appointment as director. If such assignments are made, it shall be disclosed to the full Board and the remuneration shall be approved by the Board. Further, all remuneration paid to each of the directors shall be described in the Annual Report, details per note 3. Such description shall include details of all elements of the remuneration and benefits of each member of the Board, any remuneration paid in addition to normal director's fees included.

### 12 ) Remuneration of the executive personnel

The executive management's remuneration shall be determined by a convened meeting of the Board of Directors. The Board is advised by the Remuneration Committee as to the appropriate level of salary and benefits to pay. The committee shall when preparing the guidelines take into account the location of the management, the level of remuneration normal within the business of the Group, the phase of the Group's business and the characteristics of the different positions within the executive management. The guidelines shall include a summary of the characteristics of the employee option schemes and bonus schemes applicable to the Group. The process aims to link the performance related element of the remuneration, (options and bonus) to value creation for shareholders. The current option program has been approved by shareholders with the allocation to staff determined by the Remuneration Committee prior to approval by the Board. The scheme was designed to align employees with shareholder value creation and to retain persons within the Group. In 2015 staff exercised the remaining issued share options and at the end of 2016 no share options remain outstanding. The guidelines for the remuneration of the executive management were communicated at the 2016 AGM.

Further information on the remuneration of the executive management is contained in note 3, and options granted in note 13 to the financial statements.

### 13 ) Information and communications

FLEX LNG will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with legal requirements and good corporate governance practices. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders; the information is provided in English. The Company also provides information to the market through financial reports. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Before the start of the year the Company publishes a summary of the key reporting and meeting dates for the following year.

The Board of Directors has adopted guidelines for the Company's reporting of financial and other information based on openness, equal treatment of all shareholders and participants in the securities market, and restrictions imposed by law. The guidelines also include information requirements to the internal treatment of important information and insider trading instructions and for the Company's contact with shareholders other than through General Meetings. Stock Exchange announcements and press releases, including the financial calendar, are also made available on the Company's website.

## Corporate Governance Report (continued)

### 14 ) Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the Board has an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors and the executive management will not seek to hinder or obstruct take-over bids for the Company's shares or activities. In the event of any possible take-over or restructuring situation the Board of Directors will take particular care to protect shareholder value and the common interests of the shareholders. If an offer is made for the Company's shares, the Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board will consider the appropriateness of arranging for a valuation by an independent expert. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board of Directors will not exercise mandates or pass any resolutions to obstruct the take-over bid unless approved by the General Meeting following announcement of the bid. Any transaction that is a disposal of the Company's activities should be decided by the General Meeting. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids for the Company's shares shall only be entered into where it is self-evident that such an agreement is in the common interest of the Company and its shareholders. Additionally any financial compensation should be limited to the costs the bidder has incurred in making the bid. Where agreements are entered into between the Company and the bidder that are material to the market's evaluation of the bid they will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. According to the Norwegian Securities Trading Act, a mandatory offer for the remaining shares will be triggered if a shareholder becomes the owner of more than 1/3 of the shares in the Company.

### 15 ) Auditors

The auditor is appointed by the General Meeting, which also determines the auditor's fee. The auditor submits the main features of the plan for the audit of the Company to the Audit Committee on an annual basis and is responsible for the audit of the consolidated financial statements. The auditor does not participate in meetings of the Board of Directors that deals with the annual accounts. Via the Audit Committee the auditor reviews any material changes in the Company's accounting principles, comments on any material accounting estimates and reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. The Company believes the auditor does not need to be physically present at the Company's AGM given the commercial nature of the Group. Annually the auditor presents to the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The Audit Committee holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present, the Company believes this is sufficient given its size and enables the auditor to communicate with members of the Board. The Company's Management regularly holds discussions with the auditor, in which accounting principles and internal control routines are reviewed and discussed, including the presentation of interim reports.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.

## Income Statement - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Note	Group 2016	Group 2015	Company 2016	Company 2015
Operating revenues		0	0	0	0
Administrative expenses	3	1,485	2,231	1,269	1,572
Operating (loss)		(1,485)	(2,231)	(1,269)	(1,572)
Finance income	4	9	20	9	20
Finance cost	4	314	267	314	189
(Loss) before tax		(1,790)	(2,478)	(1,574)	(1,741)
Income tax expense	7	(1)	7	0	0
(Loss) after tax		(1,789)	(2,485)	(1,574)	(1,741)
(Loss) for the year		(1,789)	(2,485)	(1,574)	(1,741)
Attributable to:					
Equity holders of the parent		(1,789)	(2,485)	(1,574)	(1,741)
Earnings per share (USD):		Group 2016	Group 2015	Company 2016	Company 2015
- Basic	5	(0.01)	(0.02)	(0.01)	(0.01)
- Diluted	5	(0.01)	(0.02)	(0.01)	(0.01)

## Statement of Comprehensive Income - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Group 2016	Group 2015	Company 2016	Company 2015
(Loss) for the year	(1,789)	(2,485)	(1,574)	(1,741)
Total other comprehensive profit	0	0	0	0
Total comprehensive (loss) for the period	(1,789)	(2,485)	(1,574)	(1,741)
Attributable to: Equity holders of the parent	(1,789)	(2,485)	(1,574)	(1,741)

## Statement of Financial Position – FLEX LNG Group & Company

As at 31 December (USD, 000)	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>ASSETS</b>					
Non-current assets					
New building assets	8	212,472	211,270	0	0
Plant and equipment	9	2	3	0	0
Loans and investments	2	0	0	214,037	213,233
Total non-current assets		212,474	211,273	214,037	213,233
Current assets					
Other current assets	10	220	252	176	244
Cash and cash equivalents	11	1,439	3,722	1,283	3,646
Total current assets		1,659	3,974	1,459	3,890
<b>TOTAL ASSETS</b>		<b>214,133</b>	<b>215,247</b>	<b>215,496</b>	<b>217,123</b>
<b>EQUITY AND LIABILITIES</b>					
Equity					
Share capital	12	1,279	1,279	1,279	1,279
Share premium	12	563,174	563,080	563,174	563,080
Other equity		(358,511)	(356,725)	(357,745)	(356,174)
Total equity		205,942	207,634	206,708	208,185
Non-current liabilities					
Other financial liabilities	14.3	7,000	7,000	7,000	7,000
Total non-current liabilities		7,000	7,000	7,000	7,000
Current liabilities					
Accounts payable		46	15	0	9
Accruals and other payables		1,145	598	1,788	1,929
Total current liabilities		1,191	613	1,788	1,938
Total liabilities		8,191	7,613	8,788	8,938
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>214,133</b>	<b>215,247</b>	<b>215,496</b>	<b>217,123</b>

Board of Directors of FLEX LNG Ltd 29 March 2017

David McManus (Chairman)

Robin Bakken

Marius Hermansen

## Consolidated Statement of Changes in Equity – FLEX LNG Group

(figures in USD,000)

For the year ended 31 December 2016	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.16	1,279	563,080	(367,333)	10,608	207,634
Loss for the period			(1,789)		(1,789)
Other comprehensive income			0		0
Total comprehensive income			(1,789)		(1,789)
Shares issued	0	94		(94)	0
Share-based payment (shares)				97	97
At 31.12.16	1,279	563,174	(369,122)	10,611	205,942

For the year ended 31 December 2015	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.15	1,269	562,942	(364,848)	10,657	210,020
Loss for the period			(2,485)		(2,485)
Other comprehensive income					0
Total comprehensive income			(2,485)		(2,485)
Shares issued	10	138		(140)	8
Share-based payment (shares)				91	91
At 31.12.15	1,279	563,080	(367,333)	10,608	207,634

## Statement of Changes in Equity – FLEX LNG Ltd.

(figures in USD,000)

For the year ended 31 December 2016	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.16	1,279	563,080	(366,782)	10,608	208,185
Loss for the period			(1,574)		(1,574)
Total comprehensive income			(1,574)		(1,574)
Shares issued	0	94		(94)	0
Share-based payment (shares)				97	97
At 31.12.16	1,279	563,174	(368,356)	10,611	206,708

For the year ended 31 December 2015	Share capital	Share premium reserve	Retained earnings	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.15	1,269	562,942	(365,041)	10,657	209,827
Loss for the period			(1,741)		(1,741)
Total comprehensive income			(1,741)		(1,741)
Shares issued	10	138		(140)	8
Share-based payment (shares)				91	91
At 31.12.15	1,279	563,080	(366,782)	10,608	208,185

## Consolidated Statement of Cash Flows - FLEX LNG Group

Year ended 31 December  
(USD, 000)

Group	Note	2016	2015
Cash flow from operating activities			
(Loss) before tax		(1,790)	(2,478)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	(9)	(20)
Finance expense	4	314	267
Share based payment expense		97	91
Depreciation	9	2	3
(Loss) / profit on asset disposal	3	1	(1)
Working capital adjustments:			
Decrease in prepayments		1	15
Decrease / (increase) in trade and other receivables		204	(205)
Increase / (decrease) in trade and other payables		579	(228)
		(601)	(2,556)
Income taxes paid		(1)	(7)
Interest received		9	21
Interest paid		(486)	(267)
Net cash flow from operating activities		(1,079)	(2,809)
Cash flows from investing activities			
Purchase of plant and equipment	9	(2)	(3)
Proceeds from sale of plant and equipment		0	1
Payment on new building assets & capitalised expenditure	8	(1,202)	(206)
Net cash flow used in investing activities		(1,204)	(208)
Cash flows from financing activities			
Proceeds from issue of share capital	12	0	8
Net cash flow from financing activities		0	8
Net (decrease) in cash and cash equivalents		(2,283)	(3,009)
Cash and cash equivalents at beginning of period		3,722	6,731
Cash and cash equivalents at end of period	11	1,439	3,722

## Statement of Cash Flows - FLEX LNG Ltd.

Year ended 31 December

(USD, 000)

Company	Note	2016	2015
Cash flow from operating activities			
(Loss) before tax		(1,574)	(1,741)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	(9)	(20)
Finance expense	4	314	189
Impairment loss	2	1	1
Share based payment expense		97	91
Working capital adjustments:			
Decrease in prepayments		0	7
Decrease / (increase) in trade and other receivables		241	(243)
(Decrease) in trade and other payables		(151)	(207)
		(1,081)	(1,923)
Interest received		9	21
Interest paid		(486)	(189)
Net cash flow from operating activities		(1,558)	(2,091)
Cash flows from investing activities			
Loans and investments in subsidiaries	2	(805)	(760)
Net cash flow used in investing activities		(805)	(760)
Cash flows from financing activities			
Proceeds from issue of share capital	12	0	8
Net cash flow from financing activities		0	8
Net (decrease) in cash and cash equivalents		(2,363)	(2,843)
Cash and cash equivalents at beginning of period		3,646	6,489
Cash and cash equivalents at end of period	11	1,283	3,646

## Note 1: General information and significant accounting policies

### 1.1 Basis for preparation

FLEX LNG Ltd. is a limited liability company, incorporated in the British Virgin Islands, and listed on the Oslo Axess Exchange. The Group includes five 100% owned subsidiaries, as at 31/12/16. The Group produces consolidated accounts incorporating these companies and its activities, which are focused on transportation of liquefied natural gas, FSRU's and related activities. The Company is currently (as at 31 December 2016) constructing two LNG carries with a capacity of 174,000m<sup>3</sup> with Samsung, for delivery in H1 2018. The Company accounts for FLEX LNG Ltd. relate to the parent company only and in the following notes it is specified when the detail relates to the consolidated Group or the parent company only. Company accounts are produced to comply with the Oslo listing requirements. Reported values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

The financial statements for the period ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements were approved by the Board of Directors on 29.03.17 for issue on 29.03.17. The financial statements have been prepared on an historical cost basis, except for the valuation of options, which are accounted for at fair value. The financial statements have also been prepared on a going concern basis, additional information is included in notes 17 and 18, and includes comparative information in respect of the previous period.

The Group has implemented new and amended standards with effective date January 1, 2016. The adoption of the new standards/amendments has had no impact on the financial position or performance of the Group or Company.

At the end of 2016, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective. The Group and Company intends to adopt those standards when they become effective. The standards most likely to have an impact are IFRS 15 – Revenue and IFRS 16 – Leasing. At present the Group and Company estimate that the implementation will have no impact on the Group.

### 1.2 Functional currency and presentation currency

The Group's presentation currency is USD. This is also the functional currency of all the companies in the Group. When a foreign subsidiary is partially or completely disposed of or sold, translation differences connected to the subsidiary are recognised in the income statement.

### 1.3 Basis of consolidation

The Group's consolidated financial statements comprise FLEX LNG and companies in which it has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Details on subsidiaries are provided in note 2. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, FLEX LNG Ltd., using consistent accounting principles.

## Note 1: General information and significant accounting policies (continued)

### 1.3 Basis of consolidation (continued)

Intragroup transactions and balances, including internal profits and unrealised gains and losses, have been eliminated in full. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.

### 1.4 Use of estimates and judgements when preparing the annual financial statements

The annual financial statements have been prepared in accordance with IFRS. This means that management has used estimates and assumptions that have affected the reported values for assets, liabilities, revenues, expenses, the accompanying disclosures and information on contingent liabilities. Future events and revisions to accounting estimates may lead to these estimates being changed. Changes to accounting estimates are included in the financial statements for the period in which the change occurs. If the changes also apply to future periods, the impact is spread over the current and future periods. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made.

The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgement is required in establishing fair values. Changes in these assumptions could impact the reported fair value, as detailed below.

#### New build assets

Costs are capitalised as per note 1.8, as detailed in note 8. In determining the amounts that are capitalised, including the carrying amounts for historically capitalised amounts, management will make assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. The broker valuations have been reviewed and the value in use calculation has been based on market based assumptions. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalised costs. Costs are split between the different vessels based on management's view on benefits derived from the expenses incurred. An impairment loss exists when the carrying value of the asset exceeds its recoverable amount.

### 1.5 Currency transactions

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing at the dates of the transactions. Monetary items are retranslated at the period end exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such cash transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## Note 1: General information and significant accounting policies (continued)

### 1.6 Segments

The Group is operating only one segment with respect to products and services. Segment reporting is thus currently not relevant. Until a Group company concludes a charter, all non-current assets are located in the country of domicile. The FLEX LNGC entities are incorporated in the Isle of Man and the assets acquired in 2017 are incorporated in the Marshall Islands.

### 1.7 Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the balance sheet date.

The Group consists of two legal entities incorporated in the British Virgin Islands and four entities in the Isle of Man.

### 1.8 Non-current assets

Non-current assets are carried at cost less accumulated depreciation and impairment adjustments, if any. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

The depreciation period and method will be reviewed annually to ensure that the method and period used reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes, borrowing costs and any costs directly attributable to the location and condition necessary for use in the intended manner. Such expenses include instalment payments, compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, borrowing costs incurred to finance construction, plus other costs that are directly attributable to the assets. Capitalisation will cease once the asset is in the location and condition necessary for it to be able to operate in the manner consistent with its intended design.

On delivery the total acquisition costs of the vessel will be decomposed to groups of components that have different expected useful lives. The different groups of components would be depreciated over their expected useful lives. Subsequent costs, such as repair and maintenance costs, are normally recognised in the income statement as incurred. Where increased economic benefits as a result of repair / maintenance work can be proven, such costs will be recognised in the balance sheet as an addition to non-current assets.

Depreciation on plant and equipment is calculated using the straight-line method to depreciate assets over their useful life. The following periods have been used:

IT Equipment: 2 years

## Note 1: General information and significant accounting policies (continued)

### 1.9 Impairment of assets

#### Non-current assets

At each reporting date the Group completes an assessment of whether there is an indication that an asset may be impaired. An impairment loss occurs when the carrying amount exceeds the recoverable amount, which is the higher of value in use or fair value less cost of disposal. The value in use is calculated using the present value of estimated future cash flows. The calculation is performed at the individual vessel level.

### 1.10 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements. The cash and cash equivalent amount in the cash flow statement include overdraft facilities.

### 1.11 Provisions, contingent liabilities and assets

A provision is a liability of uncertain timing and amount. Provisions are recognised when, and only when, the Company has an existing liability (legal or assumed) as a result of past events, it is probable (more likely than not) that an outflow of resources is required to settle the liability and the obligation can be measured reliably. Provisions are reviewed at each balance sheet date. The amount recognised is the best estimate of the expenditure required to settle the obligation. When the time factor is insignificant, the provisions will be equal to the cost required to settle the obligation. When the time factor is significant the provisions will be equal to the net present value of future payments to cover the obligation. Increases in provisions due to the time factor will be presented as interest expenses.

Contingent liabilities are:

- i. Possible obligations resulting from past events whose existence depend on future events.
- ii. Present obligations that are not recognised because it is not probable that they will lead to an outflow of resources.
- iii. Present obligations that cannot be measured with sufficient reliability.

Contingent liabilities not recognised, but are disclosed, with the exception of contingent liabilities where the possibility of any outflow in settlement is remote.

Contingent asset are defined as;

- i. A possible asset that arises from past events, and
- ii. Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

A contingent asset is not recognised in the annual financial statements unless realisation is virtually certain, but is disclosed if an inflow of economic benefit is probable.

## Note 1: General information and significant accounting policies (continued)

### 1.11 Provisions, contingent liabilities and assets (continued)

New information that provides evidence of conditions that existed at the balance sheet date are taken into account in the amounts recognised in the annual financial statements. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date, but which will affect the Group's position in the future are disclosed, if material.

### 1.12 Options and share based payments – equity settled transactions

At award the fair value of share options is calculated using an appropriate option pricing model.

The option cost is recognised over the period in which the performance is expected to be fulfilled, ending at the date on which the relevant employees become entitled to the award. This includes an assessment of the implicit future service requirement of the award. The expense at each reporting date is based on the Group's best estimate of the number of equity instruments that will vest. The income statement reflects the movement in the cumulative expense recognised as at the beginning and the end of the period.

Directors of the Company received part of their remuneration in the form of share-based payment transactions, where new shares are issued instead of cash remuneration being paid. The value of the services is recognised at the fair value of the shares issued.

### 1.13 Borrowing costs

Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, they are capitalised as part of the qualifying asset.

### 1.14 Investment in subsidiaries

Shares in the subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value in the subsidiaries, the Company recognises impairment charges on investments in subsidiaries and intercompany loan receivables. If and when estimated recoverable amounts increase, impairments charges are reversed. There is currently no repayment schedule on the intercompany loans and no interest charged on outstanding balances.

## Note 2: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Main operations	Ownership share	Voting share
FLEX LNGC 1 Limited	Isle of Man	Shipping	100%	100%
FLEX LNGC 2 Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Shipping Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Management Limited	Isle of Man	Management services	100%	100%
FLEX Petroleum Limited	British Virgin Islands	Holding company	100%	100%

### FLEX LNG Ltd – Loans and investments in subsidiaries

Company (USD 000)	2016	2015
FLEX LNGC 1 Limited	107,134	106,617
FLEX LNGC 2 Limited	106,903	106,616
FLEX Petroleum Limited	3,809	3,808
Impairment provision	(3,809)	(3,808)
	214,037	213,233

Loans to 100% subsidiaries are unsecured, interest free and repayable on 30 days notice. It is currently not the intention of FLEX LNG to call in these loans. The loans have been used to cover stage payments to Samsung, capitalised costs, running costs and an allocated share of the management recharge.

Given the non trading nature of FLEX Petroleum the Company continues to hold a provision against this loan balance, with an additional \$1k being provided in the year (2015: \$1k). This adjustment has no impact at a consolidated level.

## Note 3: Administrative expenses

As detailed in note 1.8 capitalised costs include expenses covering compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, plus other costs that are directly attributable to the assets. The amounts in tables 3.1 to 3.3 are prior to this capitalisation.

3.1 Included in administration expenses USD,000	Group 2016	Group 2015	Company 2016	Company 2015
Depreciation	2	3	0	0
P&L on disposal of assets	1	(1)	0	0
Net foreign exchange differences	14	4	11	(10)

### 3.2 Auditors

Expensed fee to the auditors is divided into the following services (exclusive of VAT):

USD,000	Group 2016	Group 2015	Company 2016	Company 2015
Audit	35	34	30	29
Tax and other assistance	10	29	0	16
Total Auditor's fees	45	63	30	45

## Note 3: Administrative expenses (continued)

### 3.3 Remuneration

During 2016 FLEX LNG had three Directors, but no employees. All employees are engaged by the management company.

Staff costs USD,000	Group 2016	Group 2015	Company 2016	Company 2015
Wages and salaries	743	815	0	0
Social security costs	105	100	12	(44)
Pension costs	24	36	0	0
Termination costs	0	126	0	0
<b>Total employee benefit expenses</b>	<b>872</b>	<b>1,077</b>	<b>12</b>	<b>(44)</b>

Share based payments are covered in note 13. Employees are offered a fixed base salary. The management company contributes to a defined contribution pension scheme for members of staff, who are also offered additional health insurance. The number of man-labour years in 2016 was 3 (2015 – 5). The Company has incurred social security costs (\$12k) in relation to the payment of Directors fees in the Isle of Man.

Directors fees FLEX LNG Ltd, USD,000	Company 2016	Company 2015
<u>Current Directors</u>		
David McManus	100	100
Robin Bakken	40	40
Marius Hermansen	40	3
<u>Ex. Directors</u>		
Jens Martin Jensen	0	37
<b>Total Directors' fees</b>	<b>180</b>	<b>180</b>

Mr. McManus received 65% of his remuneration as shares, Mr. Hermansen 80% and Mr. Bakken nil.

Executive Management USD,000	Salary	Sundry benefits	Pension	Option costs	Group Total
Jostein Ueland	221	3	10	0	234
Trym Tveitnes	184	2	6	0	192
<b>2016</b>	<b>405</b>	<b>5</b>	<b>16</b>	<b>0</b>	<b>426</b>
<b>2015</b>	<b>561</b>	<b>7</b>	<b>28</b>	<b>0</b>	<b>596</b>

Mr. Ueland and Tveitnes left the Group on 30 September 2016. In the period from 01/09/16 to 28/02/17 Mr. Cook was employed by an affiliated company, in the period to 31 December 2016 the FLEX LNG Group was recharged USD 139k in relation to Mr. Cook. On 01/03/17 Mr. Cook became the CEO for the FLEX LNG Management company.

The Executive Management receive remuneration via the management company FLEX LNG Management Limited. The amounts disclosed are the amounts recognised as an expense during the reporting period. Pension provision is provided under defined contribution schemes.

## Note 4: Finance costs and revenue

	Group 2016	Group 2015	Company 2016	Company 2015
Finance cost				
Loan interest	314	267	314	189
Total financial cost	314	267	314	189

	Group 2016	Group 2015	Company 2016	Company 2015
Finance revenue				
Interest income	9	20	9	20
Total financial revenue	9	20	9	20

## Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the earnings per share calculation.

Earnings per share:	2016	2015
(Loss) attributable to shareholders – Group \$'000	(1,789)	(2,485)
(Loss) attributable to shareholders – Company \$'000	(1,574)	(1,741)
Weighted average number of ordinary shares	127,922,003	127,817,061
Effect of dilution:		
Share options	0	0
Weighted average number of shares, adjusted for dilution	127,922,003	126,817,061

## Note 6: Management fees, Company

There are no employees in FLEX LNG Ltd. A contract for management services has been entered into with FLEX LNG Management Limited. According to this agreement, FLEX LNG Management Limited will render services to the Group relating to general administration and contract management. FLEX LNG Management Limited is entitled to compensation covering all its expenses plus a mark-up. The total compensation for 2016 was \$1,095k (2015: \$1,545k). At the period end the Company owed FLEX LNG Management Limited \$1,608k (2015: \$1,761k).

## Note 7: Income tax

The Group consists of two legal entities incorporated in the BVI and four entities in the Isle of Man. Income or capital gains are not subject to taxation in the BVI, or the Isle of Man. The profits attributable to the Management Company are taxable in the United Kingdom (UK).

(USD,000)	Group 2016	Group 2015
Current income tax charge	8	10
Adjustments in respect of current income tax of previous years	(9)	(3)
Income tax expense reported in the income statement	(1)	7

(USD,000)	Company 2016	Company 2015
Current income tax charge	0	0
Adjustments in respect of current income tax of previous years	0	0
Income tax expense reported in the income statement	0	0

A reconciliation between the tax expense and the product of the accounting profit multiplied by the BVI domestic tax rate for the year ended 31 December 2016 and 2015 is as follows:

(USD,000)	Group 2016	Group 2015
Accounting (loss) before income tax	(1,790)	(2,478)
Income tax at 0% (2015:0%) – BVI	0	0
Effect of higher overseas tax rates	(1)	7
Effective income tax rate of (0.0)% (2015: 0.3%)	(1)	7

(USD,000)	Company 2016	Company 2015
Accounting (loss) before income tax	(1,574)	(1,741)
Income tax at 0% (2015:0%) – BVI	0	0
Effective income tax rate of 0% (2015: 0%)	0	0

## Note 8: New Building Assets and Capitalised Costs

(USD,000) – Group	2016	2015
At 1 January – instalment payments	210,000	210,000
At 31 December	210,000	210,000
At 1 January – capitalised costs	1,270	1,064
Additions	1,202	206
At 31 December	2,472	1,270
At 1 January – Total	211,270	211,064
Additions	1,202	206
At 31 December	212,472	211,270

In 2016 the Group has capitalised \$1,144k (2015: \$190k) of technical staff (\$21k) and travel (\$3k), and technical consultancy costs (\$1,120k). In addition \$58k of finance costs was also capitalised in the year (2015: \$16k). Capitalised interest is calculated as a percentage of the capitalised cost against the total costs funded by the working capital loan in the period. The remaining instalments due are detailed in note 15.1.

In determining the carrying amounts for historically capitalised costs, management has made assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalised costs. The most significant impact on the estimations are related to expected future rates. Material decreases in future rates will impact the valuation and lead to impairment. Hence the carrying amounts are highly dependent on expected future rates.

The group has in 2017 reviewed the market prices for new build LNGC vessels, obtained a broker valuation for the vessels under construction, performed a value in use calculation, based on market based assumptions, and believes that the recoverable amount is such that no impairment provision is required on the vessels under construction.

In addition, as covered in note 16.1, the Company in 2017 acquired two additional newbuild LNGC vessels. The transaction was on market terms and the vessel valuations further supported the carrying values for the existing two newbuilds. The valuation was also supported via a fairness opinion, that was obtained on the two LNGCs being acquired.

## Note 9: Plant and Equipment

(USD,000) - Group

Cost	2016	2015
1 January	7	112
Additions	2	3
Disposals	(4)	(108)
31 December	5	7

(USD,000) - Group

Depreciation	2016	2015
1 January	4	109
Depreciation charge for the year	2	3
Disposals	(3)	(108)
31 December	3	4
Net book value	2016	2015
At 31 December	2	3

## Note 10: Other current assets

	Group	Group	Company	Company
(USD 000)	2016	2015	2016	2015
Debtors	46	250	3	244
Prepayments	174	2	173	0
Total other current assets	220	252	176	244

## Note 11: Cash and cash equivalents

	Group	Group	Company	Company
(USD 000)	2016	2015	2016	2015
Cash at the bank and in hand	1,439	3,722	1,283	3,646
Cash and cash equivalents in the balance sheet and cash flow statement	1,439	3,722	1,283	3,646

## Note 12: Share capital, shareholder information and dividend

Group & Company	2016	2015
Ordinary shares, nominal amount USD 0.01	127,945,657	127,869,673
Total number of shares	127,945,657	127,869,673

Group & Company	Shares (‘000)	Share Capital (USD’000)	Share Premium (USD’000)
Ordinary shares - Issued and fully paid:			
At 1 January 2016	127,870	1,279	563,080
Issued in lieu of remuneration	76	0	94
31 December 2016	127,946	1,279	563,174

Group & Company	Shares (‘000)	Share Capital (USD’000)	Share Premium (USD’000)
Ordinary shares - Issued and fully paid:			
At 1 January 2015	126,921	1,269	562,942
Options exercised	830	8	0
Issued in lieu of remuneration	119	2	138
31 December 2015	127,870	1,279	563,080

Nominal value per share is USD 0.01. All issued shares have equal voting rights and are equally entitled to dividends. During the year shares were allotted to directors of FLEX LNG to cover between 0% and 80% of their remuneration for the year. The Directors’ shares for the remuneration, covering the period 01/07/16 to 31/12/16, had not been issued at 31/12/16 and are recorded in the option, warrant and share reserves, \$49k (2015: \$46k). During the year no staff options have been exercised (2015: 830,000 options). The computation of earnings per share and diluted earnings per share is shown in note 5.

Option, warrant and share reserves: FLEX LNG has in the year recognised under other equity a credit of \$3k (2015: \$49k - debit) in relation to the options costs and shares issued by the Company.

## Note 12: Share capital, shareholder information and dividend (continued)

Main Group shareholders at 31.12.16 are: Shareholder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.4%
POLYGON (PE) HOLDING	13,526,588	10.6%
STATE STREET BANK <sup>1</sup>	2,824,550	2.2%
GOLDMAN SACHS <sup>1</sup>	1,291,771	1.0%
SKANDINAVISKA ENSKIL	1,015,573	0.8%
ABN AMRO BANK <sup>1</sup>	823,234	0.6%
D MCMANUS	796,116	0.6%
TOLUMA INVEST AS	486,358	0.4%
C PITTINGER	197,654	0.2%
EUROCLEAR BANK N.V. <sup>1</sup>	191,572	0.1%
T TVEITNES	185,300	0.1%
S PEARL	160,746	0.1%
B FJELD	155,739	0.1%
MATHIAS HOLDING	154,572	0.1%
S MALM	154,297	0.1%
S BIRKELAND	105,000	0.1%
S TROMSØ	90,000	0.1%
AVANZA BANK AB <sup>1</sup>	78,164	0.1%
J CLARKE	72,500	0.1%
K GUTTORMSEN	70,455	0.1%
OTHER	1,383,631	1.1%
Total	127,945,657	100.0%

Note<sup>1</sup> - Nominee account.

## Note 13: Share based payments

### Share-Based Payment - Group & Company

The Company has historically entered into a number of option scheme allocations. At 31 December 2016 no options remained outstanding.

During the period ended 31 December 2016 FLEX LNG agreed to issue the directors with shares covering between 0% and 80% of their remuneration. The value of the shares are based on the fair value of the services received of \$97k (2015 - \$91k). At 31 December 2016 37,599 shares (2015: 37,209 shares) with a value of \$49k had not yet been issued to the directors.

The split of shares, covering the 2016 remuneration, by director was as follows;

Director	2016	2015
<u>Current directors</u>		
David McManus	51,178	46,289
Robin Bakken	0	0
Marius Hermansen	25,196	16,784
<u>Ex. directors</u>		
Jens Martin Jensen	0	1,776
<b>Total</b>	<b>76,374</b>	<b>64,849</b>

## Note 14: Related parties

### 14.1 Shares held by current members of the Board, as at 31/12/16

Board Member	2016	2015
David McManus	796,116	743,587
Robin Bakken	0	0
Marius Hermansen	14,568	0
<b>Total</b>	<b>810,684</b>	<b>743,587</b>

These amounts exclude the shares that had not been issued as at 31/12/16, per note 16.2.

### 14.2 LNGC technical specifications and construction agreement

In June 2015 the Group entered into a building supervision agreement with Frontline Management (Bermuda) Ltd (a subsidiary of Frontline Ltd., a listed entity whose majority shareholder is Hemen Holding Limited, a company affiliated to Gevevan) to cover the two vessels on order from Samsung. At 31 December \$463k had been paid under these contracts, with \$694k of cost accrued at the period end. The agreement is within the normal activities of the company and on market terms, and was negotiated on an arm's length basis.

## Note 14: Related parties (continued)

### 14.3 Working capital loan

On 27 October 2014 the Group entered into a loan agreement with Metrogas for the provision of \$7.0m of working capital and the loan was drawn in November 2014. The loan bears a fixed rate of interest and is secured against the shares in the two ship owning companies. Metrogas is a company affiliated to Geveran. The interest cost, prior to capitalisation, was \$285k (2015: \$283k). The loan agreement is within the normal activities of the company and on market terms, and was negotiated on an arm's length basis. The loan is being used to cover working capital costs. In addition in 2016 a fee of \$260k was paid to Metrogas as a commitment and amendment fee for the changes in 2016 to the 2014 loan agreement. The Metrogas loan was repaid in full upon receipt of the proceeds from the Private Placement.

### 14.4 Overhead costs

The FLEX Management company uses office space, and receives commercial and accounting support from companies affiliated to Geveran, at the year end costs of \$261k (2015: \$79k) had been incurred in the year. In addition the legal firm BAHK provided legal advice in 2016 totalling \$3k, Mr. Bakken is partner of this firm.

At the period end costs totalling \$755k were outstanding to related parties.

## Note 15: Commitments and contingencies

### 15.1 Guarantees / commitments

The Company has provided guarantees in relation to the payments still due under the two shipbuilding contracts with Samsung. Under the settlement agreement \$210.0m was redeployed to be used as the first instalment for the two vessels. The remaining instalments will be due on delivery of the vessels (\$213.8m), prior to any amounts for any further design change requests, buyer's spares and fit out. Delivery is scheduled for January and April 2018.

### 15.2 LNGC Time Charters

In 2016 the Group entered into two separate LNGC time charters for 180 days with the option to extend for a further 180 days. The vessels will be delivered in 2017 and the charter commitments for the first 180 days total \$11.1m.

## Note 16: Subsequent events / after balance sheet date

### 16.1 Private Placement and Transaction

On 16 February 2017 the Company announced that it was contemplating entering into a transaction for the acquisition of shipbuilding contracts for two high-end MEGI LNGC newbuilds at DSME with scheduled delivery in Q1 2018, currently held by affiliates of Geveran, the Company's largest shareholder (the "Transaction"). The Transaction was completed 9 March 2017. Parts of the consideration payable for the newbuilds were settled by the Company through the issuance of 78 million new shares in the Company to Geveran. The remaining part of the consideration was settled by a \$270m credit structured as a revolving credit facility (RCF). The RCF has a fixed interest rate of 1.00% until delivery and LIBOR + 300 bps with tenor of 3 years from delivery, additional details in note 16.3. In addition, the Company completed a contemplated \$100m offering of new shares against cash payment (the "Private Placement"). The Private Placement raised gross proceeds of NOK 833m (approximately \$100m) at a subscription price of NOK 11.50 per share. In addition, a subsequent offering of up to 7.2 million new shares in the Company for gross proceeds of up to NOK 83 million (approximately \$10m) will be made to shareholders that were not allocated shares in the Private Placement, or were residents in a jurisdiction not able to participate in the Private Placement.

### 16.2 Shares

In January 2017 the Company issued 37,599 additional shares to cover between zero and eighty percent of the Director's remuneration from 1 July 2016 to the 2016 year end.

### 16.3 Working Capital

Following the receipt of the proceeds in the Private Placements proceeds, in March 2017, the Metrogas loan was repaid and in addition \$70m under the \$270m Facility was repaid, the \$70m can be drawn if required.

## Note 17: Financing

On the present overhead structure and budgeted costs, the Company believes that the new \$270m Facility will provide sufficient working capital to operate until the delivery of the vessels. At delivery the Company will need to raise additional funds, to cover the final delivery instalments, and believes the flexibility provided by the \$270m Facility will allow this to occur.

Where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

## Note 18: Going Concern

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

The Board believes that the going concern assumption currently remains appropriate for the Group. Given the remaining \$70m of the \$270m Facility, the current high level of paid in equity, the support of its main shareholder and the bank debt finance that needs to be raised when the vessels are delivered from the yards, the Company is expected to have working capital for the next twelve months. The Company requires additional funding and 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 19: Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance, in a cost effective manner.

### Currency risk

The risk that the value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Company has historically raised its equity funding in USD, with the share price denominated in NOK, but with the funding proceeds being fixed into USD. The 2014 loan finance was additionally raised in USD.

Additionally, the Group incurs some overhead costs in GBP and NOK. Historically these exposures have not been hedged. The Company's shares are traded in NOK. The NOK trading price is impacted by the underlying activities of the Group, which are primarily denominated in USD. Currency fluctuations of an investor's currency of reference relative to the NOK may also adversely affect the value of an investor's investments.

### Interest rate risk

The Group currently has interest bearing assets and liabilities. Amounts are placed on deposit for periods to secure higher returns, while balancing the need to access funds as required. The cost on the interest bearing liabilities has been raised at a fixed rate of interest.

## Note 19: Financial risk management objectives and policies (continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a cash modelling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations. Historically funds have been raised via equity issuance and loan finance. Market conditions can have a significant impact on the ability to raise equity and loan finance, while new equity financing may be dilutive to existing shareholders and loan finance which will contain covenant and other restrictions.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the raising of finance from investors.

Upon delivery of the respective vessels from the yards, the Company will look to have raised loan finance to cover the remaining delivery payments that are due.

### Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Currently the main exposure to credit risk comes from the paid-in instalments made to Samsung. Samsung has provided refund guarantees for the \$210m instalment payment. The bank providing the refund guarantee must hold at least a credit rating of A-. Cash funds are currently held with HSBC, Lloyds, RBS and Barclays.

### Price risk

The Group is also subject, indirectly, to price risk related to the spot/short term charter market for chartering LNG carriers, but currently has not yet concluded a contract for the use of the vessels under construction. There will be an impact on the four LNGC vessels that have been chartered in for delivery in 2017. Charter rates may be uncertain and volatile and depend upon, among other things, the natural gas prices, the supply and demand for vessels, arbitrage opportunities, vessel obsolescence and the energy market, which the Group cannot predict with certainty. Currently, no financial instruments have been entered into to reduce this risk.

### Operational risk

Currently the Group is managing the construction phase for the vessels and has yet to secure charters for the vessels. Operational risks therefore mainly relate to expenditure being higher than forecast, decisions on the design specifications, risks to the environment and risks to the safety of staff. At a commercial level it also includes the ability to secure employment contracts on reasonable terms for the vessels under construction; and obtaining finance and working capital on reasonable terms. In 2017 it will include the four LNGC vessels that have been chartered in.

### Regulatory and compliance risk

These are risks associated with ethical behaviour covering the handling of sensitive information and compliance with laws and regulations. These risks are managed via Group policies and guidance.

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Flex LNG Ltd.

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Flex LNG Ltd., which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2016, income statement, statement of comprehensive income, the statement of cash flows and statement changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Flex LNG Ltd. have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

The book value of vessels under construction is 212.5 million USD and consists of the first installments for purchases of the two vessels and capitalized cost related to construction of the two vessels. The impairment evaluation of the two LNG-vessels under construction is dependent on a range of assumptions such as expected utilization and day rates, which in turn are dependent on future market development and economic conditions. Vessels under construction is 99 % of total assets and is considered a key audit matter due to the relative size and the involvement of management's judgment in establishing the estimates and assumptions.

Our audit procedures included an evaluation of the cash flows projected by management through comparing the assumptions to external data such as data from comparative companies, observable

market rates, available contract information and external macroeconomic analysis. We evaluated reasonableness in expected useful life, expected operating expenditures and dry dock cost to the market expectation within the sector. Furthermore, we evaluated the discount rate used in the value in use model comparing the different elements with external data such as risk free interest on government bonds, beta and market risk premium for comparable companies, and by evaluating that Flex LNG had applied adjustments for company specific factors. We also evaluated the level of consistency of the assumptions used in the valuation methodology from previous years and tested the mathematical accuracy of the valuation model.

Refer to note 8 regarding new building assets and capitalized costs.

## **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Director's (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

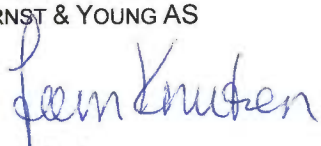
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bergen, 29 March 2017  
ERNST & YOUNG AS



Jørn Knutsen  
State Authorised Public Accountant (Norway)

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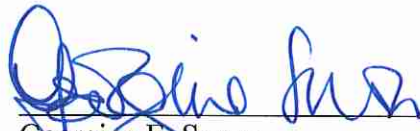
## APPENDIX B – BYE-LAWS

**BYE - LAWS**

**OF**

**FLEX LNG LTD.**

I HEREBY CERTIFY that the within-written bye-laws are a true copy of the bye-laws of FLEX LNG LTD. as approved by the shareholders of the above company and effective on the 8th of June 2017.

  
Georgina E. Sousa  
Secretary



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## **BYE – LAWS**

of

### **FLEX LNG LTD.**

#### **INTERPRETATION**

1. In these Bye-laws, and any Schedule, unless the context otherwise requires:

“**Alternate Director**” means such person or persons as shall be appointed from time to time pursuant to Bye-law 98;

“**Annual General Meeting**” means a meeting convened by the Company pursuant to Section 71(1) of the 1981 Act;

“**Bermuda**” means the Islands of Bermuda;

“**Board**” means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;

“**Bye-laws**” means these Bye-laws in their present form or as they may be amended from time to time;

“**Branch Register**” means a branch of the Register maintained by the Registrar in the VPS pursuant to the terms of a registrar agreement with the Company, which may be established by the Company at the time determined by the Board;

“**the Companies Acts**” means every Bermuda statute from time to time in force concerning companies insofar as the same applies to the Company including, without limitation, the Principal Act;

“**Company**” means the company continued in Bermuda under the name of FLEX LNG LTD. on the 8<sup>th</sup> day of June 2017;

“**Director**” means such person or persons as shall be elected or appointed to the Board from time to time pursuant to Bye-law 94, Bye-law 95, or the Companies Acts;

“**Finance Officer**” means such person or persons other than the Resident Representative appointed from time to time by the Board pursuant to Bye-law 114 and 126 to act as the Finance Officer of the Company;

“**Listing Exchange**” means any stock exchange or quotation system upon which any of the shares of the Company are listed from time to time;

**“Officer”** means such person or persons as shall be appointed from time to time by the Board pursuant to Bye-law 126;

**“paid up”** means paid up or credited as paid up;

**“Principal Act”** means The Companies Act, 1981 as amended, restated or re-enacted from time to time;

**“Register”** means the Register of Shareholders of the Company;

**“Registered Office”** means the registered office for the time being of the Company;

**“Registrar”** means such person or body corporate who may from time to time be appointed by the Board as registrar of the Company with responsibility to maintain the Branch Register under these Bye-laws;

**“Resident Representative”** means any person appointed to act as the resident representative of the Company and includes any deputy or assistant resident representatives;

**“Resolution”** means a resolution of the Shareholders or, where required, of a separate class or separate classes of Shareholders, adopted either in general meeting or by written resolution, in accordance with the provisions of these Bye-laws;

**“Seal”** means the common seal of the Company, if any, and includes any duplicate thereof;

**“Secretary”** means the person appointed to perform any or all of the duties of the secretary of the Company and includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;

**“Shareholder”** means a shareholder or member of the Company;

**“Share Option Scheme”** means a scheme established pursuant to Bye-law 111 for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of: -

- (a) the Directors and Officers of the Company (whether employees or not);
- (b) the bona fide employees or former employees of the Company or any subsidiary of the Company; or
- (c) the wives, husbands, widows, widowers or children or step-children under the age of 18 of such employees or former employees;

**“Special General Meeting”** means a general meeting, other than the Annual General Meeting;

**“Treasury Shares”** means any share of the Company that was acquired and held by the Company, or as treated as having been acquired and held by the Company, which has been held continuously by the Company since it was acquired and which has not been cancelled;

**“VPS”** means Verdipapirsentralen ASA, a Norwegian corporation maintaining a computerized central share registry in Oslo, Norway, for bodies corporate and shall include any successor registry;

for the purposes of these Bye-laws a corporation shall be deemed to be present in person if its representative duly authorised pursuant to the Companies Acts is present;

words importing only the singular number include the plural number and vice versa;

words importing only the masculine gender include the feminine and neuter genders respectively;

words importing persons include companies or associations or bodies of persons, whether corporate or un-incorporate wherever established;

reference to writing shall include typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form;

2. Unless otherwise defined herein, any words or expressions defined in the Principal Act in force on the date when these Bye-laws, or any part hereof, are adopted shall bear the same meaning in these Bye-laws or such part (as the case may be).
3. Any reference in these Bye-laws to any statute or section thereof shall unless expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

## **REGISTERED OFFICE**

4. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

## **SHARE RIGHTS**

5. Subject to any special rights conferred on the holders of any share or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may determine.

- 5A. The Board may exercise all the powers of the Company to:
- (a) divide the Company's shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
  - (b) consolidate and divide all or any of the Company's share capital into shares of larger amount than its existing shares;
  - (c) subdivide the Company's shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
  - (d) make provision for the issue and allotment of shares which do not carry any voting rights.
6. Subject to the Companies Acts, any preference shares may, with the sanction of a Resolution, be issued on terms:
- (a) that they are to be redeemed on the happening of a specified event or on a given date; and/or,
  - (b) that they are liable to be redeemed at the option of the Company; and/or,
  - (c) if authorised by the memorandum of association of the Company, that they are liable to be redeemed at the option of the holder.
7. The terms and manner of redemption of any preference shares shall be either as the Company may in general meeting determine or as the Board of Directors or any committee thereof may be resolution determine before the issuance of such shares.
8. At any time that the Company holds Treasury Shares, all of the rights attaching to the Treasury Shares shall be suspended and shall not be exercised by the Company. Without limiting the generality of the foregoing, if the Company holds Treasury Shares, the Company shall not have any right to attend and vote at a general meeting or sign written resolutions and any purported exercise of such a right is void.
9. Except where required by the Principal Act, Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

#### **MODIFICATION OF RIGHTS**

10. Subject to the Companies Acts, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time

(whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than seventy five percent of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or by proxy. To any such separate general meeting, all the provisions of these Bye-laws as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two or more persons holding or representing by proxy any of the shares of the relevant class, that every holder of shares of the relevant class shall be entitled on a poll to one vote for every such share held by him and that any holder of shares of the relevant class present in person or by proxy may demand a poll; provided, however, that if the Company or a class of Shareholders shall have only one Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum.

11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

#### **POWER TO PURCHASE OWN SHARES**

12. The Company shall have the power to purchase its own shares for cancellation.
13. The Company shall have the power to acquire its own shares to be held as Treasury Shares.
14. The Board may exercise all of the powers of the Company to purchase or acquire its own shares, whether for cancellation or to be held as Treasury Shares in accordance with the Principal Act.

#### **SHARES**

15. Subject to the provisions of these Bye-laws, the unissued shares of the Company (whether forming part of the original capital or any increased capital) shall be at the disposal of the Board, which may offer, allot, re-classify, grant options over any unissued shares of the Company, grant warrants or other securities with rights to convert such securities into shares of the Company or otherwise dispose of the Company's unissued shares, to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.
16. The Board may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by law.
17. Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as otherwise

provided in these Bye-laws or by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

## **CERTIFICATES**

18. The preparation, issue and delivery of share certificates shall be governed by the Companies Acts. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all.
19. If a share certificate is defaced, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of the costs and out of pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement, on delivery of the old certificate to the Company.
20. All certificates for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be issued under the Seal or bearing the signature of at least one person who is a Director or Secretary of the Company or a person expressly authorized to sign such certificates on behalf of the Company. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.

## **LIEN**

21. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable, at a date fixed by or in accordance with the terms of issue of such share in respect of such share, and the Company shall also have a first and paramount lien on every share (other than a fully paid share) standing registered in the name of a Shareholder, whether singly or jointly with any other person, for all the debts and liabilities of such Shareholder or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder or not. The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time, either generally or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Bye-law.
22. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently

payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.

23. The net proceeds of sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the Board may authorise some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

### **CALLS ON SHARES**

24. The Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the par value of the shares or by way of premium) and not by the terms of issue thereof made payable at a date fixed by or in accordance with such terms of issue, and each Shareholder shall (subject to the Company serving upon him at least fourteen days notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.
25. A call may be made payable by installments and shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.
26. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
27. If a sum called in respect of the share shall not be paid before or on the day appointed for payment thereof the person from whom the sum is due shall pay interest on the sum from the day appointed for the payment thereof to the time of actual payment at such rate as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.
28. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any date fixed by or in accordance with such terms of issue, whether on account of the nominal amount of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Bye-laws as to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
29. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

## FORFEITURE OF SHARES

30. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of such call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
31. The notice shall name a further day (not being less than 14 days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the shares in respect of which such call is made or installment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Bye-laws to forfeiture shall include surrender.
32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
33. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.
34. A forfeited share shall be deemed to be the property of the Company and may be sold, re-offered or otherwise disposed of either to the person who was, before forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Board may think fit.
35. A person whose shares have been forfeited shall thereupon cease to be a Shareholder in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine from the date of forfeiture until payment, and the Company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited.
36. An affidavit in writing that the deponent is a Director or the Secretary and that a share has been duly forfeited on the date stated in the affidavit shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share

on the sale, re-allotment or disposition thereof and the Board may authorise some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share.

## **REGISTER OF SHAREHOLDERS**

37. The Secretary shall establish and maintain the Register of Shareholders in the manner prescribed by the Companies Acts. Unless the Board otherwise determines, the Register of Shareholders shall be open to inspection in the manner prescribed by the Companies Acts between 10.00 a.m. and 12.00 noon on every working day. Unless the Board otherwise determines, no Shareholder or intending Shareholder shall be entitled to have entered in the Register any indication of any trust or any equitable,<sup>4</sup> contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any of the provisions of Bye-law 18.
38. Subject to the Companies Act, at the time determined by the Board, the Company shall establish the Branch Register, and the Board may make and vary such regulations as it determines in respect of the keeping of the Branch Register.

## **REGISTER OF DIRECTORS AND OFFICERS**

39. The Secretary shall establish and maintain a register of the Directors and Officers of the Company as required by the Companies Acts. Every Officer that is also a Director and the Secretary must be listed officers of the Company in the Register of Directors and Officers. The register of Directors and Officers shall be open to inspection in the manner prescribed by the Companies Acts between 10.00 a.m. and 12.00 noon on every working day.

## **TRANSFER OF SHARES**

40. Subject to the Companies Acts and to such of the restrictions contained in these Bye-laws as may be applicable, any Shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve.
41. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, where any share is not fully-paid, the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Should the Company be permitted to do so under the laws of Bermuda, the Board may, either generally or in any particular case, upon request by the transferor or the transferee, accept mechanically or electronically executed transfer and may also make such regulations with respect to transfer in addition to the provisions of these Bye-

Laws as it considers appropriate. The Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully-paid share. In addition:

- (i) The Board shall decline to register the transfer of any share, and shall direct the Registrar to decline (and the Registrar shall decline) to register the transfer of any interest in any share held through a Branch Register, to a person where the Board is of the opinion that such transfer might breach any law or requirement of any authority or any Listing Exchange until it has received such evidence as it may require to satisfy itself that no such breach would occur.
- (ii) The Board may decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in any share held through a Branch Register, if the registration of such transfer would be likely, in the opinion of the Board, to result in fifty percent or more of the aggregate issued share capital of the Company or shares of the Company to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company being held or owned directly or indirectly, (including, without limitation, through a Branch Register) by a person or persons resident for tax purposes in Norway, provided that this provision shall not apply to the registration of shares in the name of the Registrar as nominee of persons whose interests in such shares are reflected in a Branch Register, but shall apply, mutatis mutandis, to interests in shares of the Company held by persons through a Branch Register.
- (iii) For the purposes of this Bye-Law, each Shareholder (other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in a Branch Register) shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the Register for such Shareholder, and each person whose interests in shares are reflected in a Branch Register shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in a Branch Register for such person. If such Shareholder or person is not resident for tax purpose in such jurisdiction or if there is a subsequent change in his residence for tax purposes, such Shareholder shall notify the Company immediately of his residence for tax purposes.
- (iv) Where any Shareholder or person whose interests in shares are reflected in a Branch Register fails to notify the Company in accordance with the foregoing, the Board and the Registrar may suspend sine die such Shareholder's or person's entitlement to vote or otherwise exercise any rights attaching to the shares or interests therein and to receive payments of income or capital which become due or payable in respect of such

shares or interests and the Company shall have no liability to such Shareholder or person arising out of the late payment or non-payment of such sums and the Company may retain such sums for its own use and benefit. In addition to the foregoing the Board and the Registrar may dispose of the shares in the Company or interests herein of such Shareholder or person at the best price reasonably obtainable in all the circumstances. Where a notice informing such Shareholder or person of the proposed disposal of his shares or interests therein has been served, his shares or interest therein may not be transferred otherwise than in accordance with this Bye-Law 41 and any other purported transfer of such shares or interests therein shall not be registered in the Register and/or a Branch Register and shall be null and void.

- (v) The provision of these Bye-Laws relating to the protection of purchaser of shares sold under lien or upon forfeiture shall apply *mutatis mutandis* to a disposal of shares or interests therein by the Company or the Registrar in accordance with this Bye-Law.
- (vi) If fifty percent or more of the aggregate issued share capital of the Company or shares to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company are found to be held or owned directly or indirectly (including, without limitation, through a Branch Register) by a person or persons resident for tax purposes in Norway, other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in a Branch Register, the Board shall make an announcement to such effect through the Oslo Stock Exchange, and the Board and the Registrar shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than fifty percent, and, for these purposes, the Board and the Registrar shall in such case dispose of shares or interests therein owned by persons resident for tax purposes in Norway on the basis that the shares or interests therein most recently acquired shall be the first to be disposed of (i.e. on the basis of last acquired first sold) save where there is a breach of the obligation to notify tax residency pursuant to the foregoing, in which event the shares or interests therein of the person in breach thereof shall be sold first. Shareholders shall not be entitled to raise any objection to the disposal of their shares, but the provisions of these Bye-Laws relating to the protection of purchasers of shares sold under lien or upon forfeiture shall apply *mutatis mutandis* to any disposal of shares or interests therein made in accordance with this Bye-Law 41.

42. Without limiting the generality of the foregoing, the Board may also decline to register any transfer unless:

- (a) the instrument of transfer is duly stamped and lodged with the Company, accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,
- (b) the instrument of transfer is in respect of only one class of share,
- (c) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.

Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-law 42 and Bye-laws 40 and 41.

- 43. If the Board declines to register a transfer it shall, within three months after the date on which the instrument of transfer was lodged, send to the transferee notice of such refusal.
- 44. No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register and/or the Branch Register (if established) relating to any share.
- 45. The Company may dispose of or transfer Treasury Shares for cash or other consideration.

#### **TRANSMISSION OF SHARES**

- 46. In the case of the death of a Shareholder, the survivor or survivors, where the deceased was a joint holder, and the estate representative, where he was sole holder, shall be the only person recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether the sole or joint) from any liability in respect of any share held by him solely or jointly with other persons. For the purpose of this Bye-law, estate representative means the person to whom probate or letters of administration has or have been granted in Bermuda or, failing any such person, such other person as the Board may in its absolute discretion determine to be the person recognised by the Company for the purpose of this Bye-law.
- 47. Any person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law may, subject as hereafter provided and upon such evidence being produced as may from time to time be required by the Board as to his entitlement, either be registered himself as the holder of the share or elect to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered, he shall

signify his election by signing an instrument of transfer of such share in favour of his nominee. All the limitations, restrictions and provisions of these Bye-laws relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or instrument of transfer as aforesaid as if the death of the Shareholder or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer signed by such Shareholder.

48. A person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law shall (upon such evidence being produced as may from time to time be required by the Board as to his entitlement) be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of the share to receive notices of or to attend or vote at general meetings of the Company or, save as aforesaid, to exercise in respect of the share any of the rights or privileges of a Shareholder until he shall have become registered as the holder thereof. The Board may at any time give notice requiring such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may thereafter withhold payment of all dividends and other moneys payable in respect of the shares until the requirements of the notice have been complied with.
49. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-laws 46, 47 and 48.

#### **INCREASE OF CAPITAL**

50. The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by Resolution shall prescribe.
51. The Company may, by the Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par or at a premium or (subject to the provisions of the Companies Acts) at a discount to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provision as to the issue of the new shares.
52. The new shares shall be subject to all the provisions of these Bye-laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

#### **ALTERATION OF CAPITAL**

53. The Company may from time to time by Resolution:
- (a) cancel shares which, at the date of the passing of the Resolution in that behalf, have not been taken or agreed to be taken by any person, and

diminish the amount of its share capital by the amount of the shares so cancelled; and

(b) change the currency denomination of its share capital.

54. Where any difficulty arises in regard to any division, consolidation, or sub-division under Bye-law 53, the Board may settle the same as it thinks expedient and, in particular, may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the Shareholders who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
55. Subject to the Companies Acts and to any confirmation or consent required by law or these Bye-laws, the Company may by Resolution from time to time convert any preference shares into redeemable preference shares.

#### **REDUCTION OF CAPITAL**

56. Subject to the Companies Acts, its memorandum and any confirmation or consent required by law or these Bye-laws, the Company may from time to time by Resolution authorise the reduction of its issued share capital or any capital redemption reserve fund or any share premium or contributed surplus account in any manner.
57. In relation to any such reduction, the Company may by Resolution determine the terms upon which such reduction is to be effected including in the case of a reduction of part only of a class of shares, those shares to be affected.

#### **GENERAL MEETINGS AND WRITTEN RESOLUTIONS**

58. The Board shall convene and the Company shall hold general meetings as Annual General Meetings in accordance with the requirements of the Companies Acts at such times and places as the Board shall appoint. The Board may, whenever it thinks fit, and shall, when required by the Companies Acts, convene general meetings other than Annual General Meetings which shall be called Special General Meetings. Any such Annual or Special General meeting shall be held at the Registered Office of the Company in Bermuda or such other location suitable for such purpose and in no event shall any such Annual or Special General Meeting be held in Norway or the United Kingdom.
59. Except in the case of the removal of auditors and Directors and subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Shareholders of the Company may, without a meeting be done by resolution in writing, signed by a simple majority of all of the Shareholders (or such greater majority as is required

by the Companies Acts or these Bye-laws) or their proxies, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of such Shareholder, being all of the Shareholders of the Company who at the date of the resolution in writing would be entitled to attend a meeting and vote on the resolution. Such resolution in writing may be signed by, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts), on behalf of, all the Shareholders of the Company, or any class thereof, in as many counterparts as may be necessary.

60. Notice of any resolution to be made under Bye-law 59 shall be given, and a copy of the resolution shall be circulated, to all members who would be entitled to attend a meeting and vote on the resolution in the same manner as that required for a notice of a meeting of members at which the resolution could have been considered, except that any requirement in this Act or in these Bye-laws as to the length of the period of notice shall not apply.
61. A resolution in writing is passed when it is signed by, or, in the case of a member that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of, such number of the Shareholders of the Company who at the date of the notice represent a majority of votes as would be required if the resolution had been voted on at a meeting of Shareholders.
62. A resolution in writing made in accordance with Bye-law 59 is as valid as if it had been passed by the Company in general meeting or, if applicable, by a meeting of the relevant class of Shareholders of the Company, as the case may be. A resolution in writing made in accordance with Bye-law 59 shall constitute minutes for the purposes of the Companies Acts and these Bye-laws.
63. The accidental omission to give notice to, or the non-receipt of a notice by, any person entitled to receive notice of a resolution does not invalidate the passing of a resolution.

#### **NOTICE OF GENERAL MEETINGS**

64. An Annual General Meeting shall be called by not less than 5 days' notice in writing and a Special General Meeting shall be called by not less than 5 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of the meeting, and, in the case of a Special General Meeting, the general nature of the business to be considered. Notice of every general meeting shall be given in any manner permitted by these Bye-laws. Shareholders other than those required to be given notice under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

65. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-law, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an Annual General Meeting, by all the Shareholders entitled to attend and vote thereat;
- (b) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right;

provided that notwithstanding any provision of these Bye-Laws, no Shareholder shall be entitled to attend any general meeting unless notice in writing of the intention to attend and vote in person or by proxy signed by or on behalf of the Shareholder (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) addressed to the Secretary is deposited (by post, courier, facsimile transmission or other electronic means) at the Registered Office at least 48 hours before the time appointed for holding the general meeting or adjournment thereof.

66. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

## **PROCEEDINGS AT GENERAL MEETINGS**

67. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman, which shall not be treated as part of the business of the meeting. Save as otherwise provided by these Bye-Laws, at least two Shareholders present in person or represented by proxy and entitled to vote (whatever the number of shares held by them) shall be a quorum for all purposes (including for greater certainty any Resolution for the amalgamation or merger of the Company), provided however that if the Company shall have only one Shareholder, such Shareholder, present in person or by proxy, shall constitute the necessary quorum.

68. If within five minutes (or such longer time as the chairman of the meeting may determine to wait) after the time appointed for the meeting, a quorum is not present, the meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to such other day and such other time and place as the chairman of the meeting may determine and at such adjourned meeting two Shareholders present in person or by proxy (whatever the number of shares held by them) shall be a quorum provided that if the Company shall have only one

Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum. The Company shall give not less than 5 days' notice of any meeting adjourned through want of a quorum and such notice shall state that the sole Shareholder or, if more than one, two Shareholders present in person or by proxy (whatever the number of shares held by them) shall be a quorum.

69. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting.
70. Each Director shall be entitled to attend and speak at any general meeting of the Company.
71. The Chairman (if any) of the Board shall preside as chairman at every general meeting. If there is no such Chairman, or if at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the meeting the Directors present shall choose one of their number to act or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one of their number to be chairman.
72. The chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for three months or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
73. Save as expressly provided by these Bye-laws, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

## VOTING

74. Save where a greater majority is required by the Companies Acts or these Bye-laws, any question proposed for consideration at any general meeting shall be decided on by a simple majority of votes cast.
- 76A. The Board may, with the sanction of a Resolution, amalgamate the Company with another company (whether or not such an amalgamation involves a change in the jurisdiction of the Company) or merge the Company with another company (whether or not the Company is the surviving company and whether or not such a merger involves a change in the jurisdiction of the Company).

75. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands or by a count of votes received in the form of electronic records unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:
- (a) the chairman of the meeting; or
  - (b) at least three Shareholders present in person or represented by proxy; or
  - (c) any Shareholder or Shareholders present in person or represented by proxy and holding between them not less than one tenth of the total voting rights of all the Shareholders having the right to vote at such meeting; or
  - (d) a Shareholder or Shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all such shares conferring such right.
76. Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands or on a count of votes received in the form of electronic records, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number of votes recorded for or against such resolution.
77. If a poll is duly demanded, the result of the poll shall be deemed to be the resolution of the meeting at which the poll is demanded.
78. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner and either forthwith or at such time (being not later than three months after the date of the demand) and place as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.
79. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded and it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.
80. On a poll, votes may be cast either personally or by proxy.
81. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
82. In the case of an equality of votes at a general meeting, whether on a show of hands, a count of votes received in the form of electronic records or on a poll, the chairman of such meeting shall not be entitled to a second or casting vote.

83. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
84. A Shareholder who is a patient for any purpose of any statute or applicable law relating to mental health or in respect of whom an order has been made by any Court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such Court and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as such Shareholder for the purpose of general meetings.
85. No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
86. If (i) any objection shall be raised to the qualification of any voter or (ii) any votes have been counted which ought not to have been counted or which might have been rejected or (iii) any votes are not counted which ought to have been counted, the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

#### **PROXIES AND CORPORATE REPRESENTATIVES**

87. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised by him in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
88. Any Shareholder may appoint a standing proxy or (if a corporation) representative by depositing at the Registered Office a proxy or (if a corporation) an authorisation and such proxy or authorisation shall be valid for all general meetings and adjournments thereof or, resolutions in writing, as the case may be, until notice of revocation is received at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record. Where a standing proxy or authorisation exists, its operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Shareholder is present or in respect to which the Shareholder has specially appointed a proxy or representative.

The Board may from time to time require such evidence as it shall deem necessary as to the due execution and continuing validity of any such standing proxy or authorisation and the operation of any such standing proxy or authorisation shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.

89. Subject to Bye-law 88, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require, shall be delivered at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record (or at such place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case or the case of a written resolution, in any document sent therewith) prior to the holding of the relevant meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, before the time appointed for the taking of the poll, or, in the case of a written resolution, prior to the effective date of the written resolution and in default the instrument of proxy shall not be treated as valid.
90. Instruments of proxy shall be in any common form or in such other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any meeting or any written resolution forms of instruments of proxy for use at that meeting or in connection with that written resolution. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a written resolution or amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any adjournment of the meeting as for the meeting to which it relates.
91. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith) one hour at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, or the day before the effective date of any written resolution at which the instrument of proxy is used.
92. Subject to the Companies Acts, the Board may at its discretion waive any of the provisions of these Bye-laws related to proxies or authorisations and, in particular, may accept such verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Shareholder at general meetings or to sign written resolutions.

93. Notwithstanding any other provision of these Bye-laws, any member may appoint an irrevocable proxy by depositing at the Registered Office an irrevocable proxy and such irrevocable proxy shall be valid for all general meetings and adjournments thereof, or resolutions in writing, as the case may be, until terminated in accordance with its own terms, or until written notice of termination is received at the Registered Office signed by the proxy. The instrument creating the irrevocable proxy shall recite that it is constituted as such and shall confirm that it is granted with an interest. The operation of an irrevocable proxy shall not be suspended at any general meeting or adjournment thereof at which the member who has appointed such proxy is present and the member may not specially appoint another proxy or vote himself in respect of any shares which are the subject of the irrevocable proxy.

### **APPOINTMENT AND REMOVAL OF DIRECTORS**

94. The number of Directors shall be such number not less than two as the Company by Resolution may from time to time determine and, subject to the Companies Acts and these Bye-laws, shall serve until re-elected or their successors are appointed at the next Annual General Meeting. The Board shall at all times comprise a majority of Directors who are not resident in the United Kingdom.
95. The Company shall at the Annual General Meeting and may by Resolution determine the minimum and the maximum number of Directors and may by Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of these Bye-laws. Without prejudice to the power of the Company by Resolution in pursuance of any of the provisions of these Bye-laws to appoint any person to be a Director, the Board, so long as a quorum of Directors remains in office, shall have power at any time and from time to time to appoint any individual to be a Director so as to fill a casual vacancy.
96. The Company may in a Special General Meeting called for that purpose remove a Director provided notice of any such meeting shall be served upon the Director concerned not less than 14 days before the meeting and he shall be entitled to be heard at that meeting. Any vacancy created by the removal of a Director at a Special General Meeting may be filled at the Meeting by the election of another Director in his place or, in the absence of any such election, by the Board.

### **RESIGNATION AND DISQUALIFICATION OF DIRECTORS**

97. The office of a Director shall be vacated upon the happening of any of the following events:
- (a) if he resigns his office by notice in writing delivered to the Registered Office or tendered at a meeting of the Board;
  - (b) if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that his office is vacated;

- (c) if he becomes bankrupt or compounds with his creditors;
- (d) if he is prohibited by law from being a Director;
- (e) if he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-laws.

## **ALTERNATE DIRECTORS**

98. The Company may by Resolution elect any person or persons to act as Directors in the alternative to any of the Directors or may authorise the Board to appoint such Alternate Directors and a Director may appoint and remove his own Alternate Director. Any appointment or removal of an Alternate Director by a Director shall be effected by depositing a notice of appointment or removal with the Secretary at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record, signed by such Director, and such appointment or removal shall become effective on the date of receipt by the Secretary. Any Alternate Director may be removed by Resolution of the Company and, if appointed by the Board, may be removed by the Board. Subject as aforesaid, the office of Alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. An Alternate Director may also be a Director in his own right and may act as alternate to more than one Director. No resident of the United Kingdom and no person who is physically located in the United Kingdom during a meeting of the Board may be elected or appointed as an Alternate Director.
99. An Alternate Director shall be entitled to receive notices of all meetings of Directors, to attend, be counted in the quorum and vote at any such meeting at which any Director to whom he is alternate is not personally present, and generally to perform all the functions of any Director to whom he is alternate in his absence.
100. Every person acting as an Alternate Director shall (except as regards powers to appoint an alternate and remuneration) be subject in all respects to the provisions of these Bye-laws relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for any Director for whom he is alternate. An Alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director. Every person acting as an Alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). The signature of an Alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the terms of his appointment provides to the contrary, be as effective as the signature of the Director or Directors to whom he is alternate.

## **DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES**

101. The amount, if any, of Directors' fees shall from time to time be determined by the Company by Resolution and in the absence of a determination to the contrary in

general meeting, such fees shall be deemed to accrue from day to day. Each Director may be paid his reasonable travelling, hotel and incidental expenses in attending and returning from meetings of the Board or committees constituted pursuant to these Bye-laws or general meetings and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-law.

## **DIRECTORS' INTERESTS**

102. A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-law.
103. A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
104. Subject to the Companies Acts, a Director may notwithstanding his office be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.
105. So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Companies Acts, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which these Bye-laws allow him to be appointed or from any transaction or arrangement in which these Bye-laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.

106. Subject to the Companies Acts and any further disclosure required thereby, a general notice to the Directors by a Director or officer declaring that he is a director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, shall be a sufficient declaration of interest in relation to any transaction or arrangement so made.

## **POWERS AND DUTIES OF THE BOARD**

107. Subject to the provisions of the Companies Acts and these Bye-laws and to any directions given by the Company by Resolution, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company. No alteration of these Bye-laws and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Bye-law shall not be limited by any special power given to the Board by these Bye-laws and a meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.
108. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.
109. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.
110. The Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any person including any Director or former Director who has held any executive office or employment with the Company or with any body corporate which is or has been a subsidiary or affiliate of the Company or a predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person.
111. The Board, on behalf of the Company, may provide benefits, whether pursuant to a Share Option Scheme or by the payment of gratuities or pensions or otherwise, for any Director or Officer (whether or not an employee) and any person who has held any executive office or employment with the Company or with any body corporate which has been a subsidiary or affiliate of the Company or a

predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person in connection with the provision of pensions. Subject to the provisions of the Principal Act from time to time in force relating to financial assistance and dealings with Directors, the Board may also establish and maintain a Share Option Scheme and (if such Share Option Scheme so provides) contribute to such Share Option Scheme for the purchase by the Company or transfer, allotment or issue from the Company to trustees of shares in the Company, such shares to be held for the benefit of scheme participants (including Directors and Officers) and, subject to the Principal Act, lend money to such trustees or scheme participants to enable the purchase of such shares.

112. The Board may from time to time appoint one or more of its body to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and may revoke or terminate any such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Any person so appointed shall receive such remuneration (if any) (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.

#### **DELEGATION OF THE BOARD'S POWERS**

113. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney and of such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.
114. The Board may entrust to and confer upon any Director or officer any of the powers exercisable by it upon such terms and conditions with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.
115. The Board may delegate any of its powers, authorities and discretions to any person or to committees, consisting of such person or persons (whether a member or

members of its body or not) as it thinks fit, provided that, where possible, such committee shall not comprise of a majority of persons who are resident in the United Kingdom. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed upon it by the Board. Further, the Board may authorize any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

## **PROCEEDINGS OF THE BOARD**

116. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit provided that Board Meetings are to be held outside Norway and the United Kingdom. Questions arising at any meeting shall be determined by a majority of votes cast. No Director (including the Chairman, if any, of the Board) shall be entitled to a second or casting vote. In the case of an equality of votes the motion shall be deemed to have been lost. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.
117. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is sent to him by post, cable, telex, telecopier, electronic means, or other mode of representing or reproducing words in a legible and non-transitory form at his last known address or any other address given by him to the Company for this purpose. Written notice of Board meetings shall be given with reasonable notice being not less than 24 hours whenever practicable. A Director may waive notice of any meeting either prospectively or retrospectively.
118. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be a majority of the Board present in person or by proxy, provided that a quorum shall not be present unless a majority of the Directors present are neither resident in Norway nor physically located nor resident in the United Kingdom. Any Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
119. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Companies Acts and these Bye-laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present.
120. So long as a quorum of Directors remains in office, the continuing Directors may act notwithstanding any vacancy in the Board but, if no such quorum remains, the

continuing Directors or a sole continuing Director may act only for the purpose of calling a general meeting.

121. The Chairman (if any) of the Board shall preside as chairman at every meeting of the Board. If there is no such Chairman or if at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.
122. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-laws for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.
123. A resolution in writing signed by all the Directors for the time being entitled to receive notice of a meeting of the Board or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the Board or, as the case may be, of such committee duly called and constituted provided that no such resolution shall be valid and effective unless the signatures of all such Directors or all such committee members are affixed outside of the United Kingdom. Such resolution may be contained in one document or in several documents in the like form each signed by one or more of the Directors (or their Alternate Directors) or members of the committee concerned.
124. A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting. A meeting of the Board or committee appointed by the Board held in the foregoing manner shall be deemed to take place at the place where the largest group of participating Directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates provided that in such event, the meeting shall be chaired by a Director or a committee member who is not resident in Norway nor physically located nor resident in the United Kingdom. The Board or relevant committee shall use its best endeavours to ensure that any such meeting is not deemed to have been held in Norway or the United Kingdom, and the fact that one or more Directors or committee members may be present at such teleconference by virtue of his being physically in Norway or the United Kingdom shall not deem such meeting to have taken place in Norway or the United Kingdom.
125. All acts done by the Board or by any committee or by any person acting as a Director or member of a committee or any person duly authorised by the Board or any committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had

vacated their office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, member of such committee or person so authorised.

## **OFFICERS**

126. The Board shall appoint one of their number to the office of Chairman, and may appoint any person whether or not he is a Director to hold such office as the Board may from time to time determine. Any person elected or appointed pursuant to this Bye-law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such election or appointment. Any such revocation or termination shall be without prejudice to any claim for damages that such officer may have against the Company or the Company may have against such officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-laws, the powers and duties of the officers of the Company shall be such (if any) as are determined from time to time by the Board.

## **MINUTES**

127. The Directors shall cause minutes to be made and books kept for the purpose of recording:
- (a) all appointments of officers made by the Directors;
  - (b) the names of the Directors and other persons (if any) present at each meeting of Directors and of any committee;
  - (c) of all proceedings at meetings of the Company, of the holders of any class of shares in the Company, and of committees;
  - (d) of all proceedings of managers (if any).

## **SECRETARY AND RESIDENT REPRESENTATIVE**

128. The Secretary and Resident Representative, if necessary, shall be appointed by the Board at such remuneration (if any) and upon such terms as it may think fit and any Secretary so appointed may be removed by the Board.
129. The duties of the Secretary shall be those prescribed by the Companies Acts together with such other duties as shall from time to time be prescribed by the Board.
130. A provision of the Companies Acts or these Bye-laws requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.

## **THE SEAL**

131. The Company may, but need not, have a Seal and one or more duplicate Seals for use in any place in or outside Bermuda.
132. If the Company has a Seal it shall consist of a circular metal device with the name of the Company around the outer margin thereof and the country and year of incorporation across the centre thereof.
133. The Board shall provide for the custody of every Seal, if any. A Seal shall only be used by authority of the Board or of a committee constituted by the Board. Subject to these Bye-laws, any instrument to which a Seal is affixed shall be signed by at least one Director or the Secretary, or by any person (whether or not a Director or the Secretary), who has been authorised either generally or specifically to attest to the use of a Seal.
134. The Secretary, a Director or the Resident Representative may affix a Seal attested with his signature to certify the authenticity of any copies of documents.

## **DIVIDENDS AND OTHER PAYMENTS**

135. The Board may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests including such interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board, justifies such payment.
136. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:
  - (a) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid up on the shares in respect of which the dividend or distribution is paid, and an amount paid up on a share in advance of calls may be treated for the purpose of this Bye-law as paid-up on the share;
  - (b) dividends or distributions out of contributed surplus may be apportioned and paid pro rata according to the amounts paid-up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.
137. The Board may deduct from any dividend, distribution or other moneys payable to a Shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

138. No dividend, distribution or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.
139. Any dividend distribution, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the mail addressed to the holder at his address in the Register or, as the case may be, the Branch Register (if established) or, in the case of joint holders, addressed to the holder whose name stands first in the Register or, as the case may be, the Branch Register in respect of the shares at his registered address as appearing in the Register or, as the case may be, the Branch Register or addressed to such person at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the Register or, as the case may be, the Branch Register in respect of such shares, and shall be sent at his or their risk, and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.
140. Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend, distribution, interest or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.
141. The Board may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debentures of any other company, and where any difficulty arises in regard to such distribution or dividend the Board may settle it as it thinks expedient, and in particular, may authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any Shareholders upon the footing of the values so fixed in order to secure equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board.

## RESERVES

142. The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

## **CAPITALISATION OF PROFITS**

143. The Company may, upon the recommendation of the Board, at any time and from time to time pass a Resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution amongst the Shareholders or any class of Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions, on the footing that the same be not paid in cash but be applied either in or towards paying up amounts for the time being unpaid on any shares in the Company held by such Shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid amongst such Shareholders, or partly in one way and partly in the other, and the Board shall give effect to such Resolution, provided that for the purpose of this Bye-law, a share premium account and a capital redemption reserve fund may be applied only in paying up of unissued shares to be issued to such Shareholders credited as fully paid and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.
144. Where any difficulty arises in regard to any distribution under Bye-law 143, the Board may settle the same as it thinks expedient and, in particular, may authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments should be made to any Shareholders in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

## **RECORD DATES**

145. Notwithstanding any other provisions of these Bye-laws, the Company may by Resolution or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and for the purpose of identifying the persons entitled to receive notices of general meetings. Any such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made or such notice is despatched.

## **ACCOUNTING RECORDS**

146. The Board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions, in accordance with the Companies Acts.

147. The records of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit, and shall at all times be open to inspection by the Directors: PROVIDED that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period. No Shareholder (other than an officer of the Company) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or by Resolution.
148. A copy of every balance sheet and statement of income and expenditure, including every document required by law to be annexed thereto, which is to be laid before the Company in general meeting, together with a copy of the auditors' report, shall be sent to each person entitled thereto in accordance with the requirements of the Companies Acts. Pursuant to Bye-law 114, the Board may delegate to the Finance Officer responsibility for the proper maintenance and safe keeping of all of the accounting records of the Company and (subject to the terms of any resolution from time to time passed by the Board relating to the extent of the duties of the Finance Officer) the Finance Officer shall have primary responsibility for (a) the preparation of proper management accounts of the Company (at such intervals as may be required) and (b) the periodic delivery of such management accounts to the Registered Office in accordance with the Companies Acts.

#### **AUDIT**

149. Save and to the extent that an audit is waived in the manner permitted by the Companies Acts, auditors shall be appointed and their duties regulated in accordance with the Companies Acts, any other applicable law and such requirements not inconsistent with the Companies Acts as the Board may from time to time determine.

#### **SERVICE OF NOTICES AND OTHER DOCUMENTS**

150. Any notice or other document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post (by airmail where applicable) in a pre-paid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders. Any notice or other document if sent by post shall be deemed to have been served or delivered seven days after it was put in the post, and in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.
151. Any notice of a general meeting of the Company shall be deemed to be duly given to a Shareholder if it is sent to him by cable, telex, telecopier or other mode of

representing or reproducing words in a legible and non-transitory form at his address as appearing in the Register or any other address given by him to the Company for this purpose. Any such notice shall be deemed to have been served twenty-four hours after its despatch.

152. Any notice or other document shall be deemed to be duly given to a Shareholder if it is delivered to such Shareholder by means of an electronic record in accordance with Section 2A of the Principal Act.
153. Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

#### **WINDING UP**

154. If the Company shall be wound up, the liquidator may, with the sanction of a Resolution of the Company and any other sanction required by the Companies Acts, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

#### **INDEMNITY**

155. Subject to the provisions of Bye-law 163, no Director, Alternate Director, Officer, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company or his heirs, executors or administrators shall be liable for the acts, receipts, neglects, or defaults of any other such person or any person involved in the formation of the Company, or for any loss or expense incurred by the Company through the insufficiency or deficiency of title to any property acquired by the Company, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any monies, securities, or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default, or oversight on his

part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of his duties, or supposed duties, to the Company or otherwise in relation thereto.

156. Subject to the provisions of Bye-law 163, every Director, Alternate Director, Officer, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company and their respective heirs, executors or administrators shall be indemnified and held harmless out of the funds of the Company to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, Alternate Director, Officer, person or committee member or Resident Representative and the indemnity contained in this Bye-law shall extend to any person acting as such Director, Alternate Director, Officer, person or committee member or Resident Representative in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election.
157. Every Director, Alternate Director, Officer, person or member of a committee duly authorised under Bye-law 115, Resident Representative of the Company and their respective heirs, executors or administrators shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Alternate Director, Officer, person or committee member or Resident Representative in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.
158. To the extent that any Director, Alternate Director, Officer, person or member of a committee duly authorised under Bye-law 115, Resident Representative of the Company or any of their respective heirs, executors or administrators is entitled to claim an indemnity pursuant to these Bye-laws in respect of amounts paid or discharged by him, the relative indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge.
159. The Board may arrange for the Company to be insured in respect of all or any part of its liability under the provision of these Bye-laws and may also purchase and maintain insurance for the benefit of any Directors, Alternate Directors, Officers, person or member of a committee authorised under Bye-law 115, employees or Resident Representatives of the Company in respect of any liability that may be incurred by them or any of them howsoever arising in connection with their respective duties or supposed duties to the Company. This Bye-law shall not be construed as limiting the powers of the Board to effect such other insurance on behalf of the Company as it may deem appropriate.

160. Notwithstanding anything contained in the Principal Act, the Company may advance moneys to an Officer or Director for the costs, charges and expenses incurred by the Officer or Director in defending any civil or criminal proceedings against them on the condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty is proved against them.
161. Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director, Alternate Director, Officer of the Company, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company or any of their respective heirs, executors or administrators on account of any action taken by any such person, or the failure of any such person to take any action in the performance of his duties, or supposed duties, to the Company or otherwise in relation thereto.
162. The restrictions on liability, indemnities and waivers provided for in Bye-laws 155 to 161 inclusive shall not extend to any matter which would render the same void pursuant to the Companies Acts.
163. The restrictions on liability, indemnities and waivers contained in Bye-laws 155 to 161 inclusive shall be in addition to any rights which any person concerned may otherwise be entitled by contract or as a matter of applicable Bermuda law.

#### **CONTINUATION**

164. Subject to the Companies Acts, the Company may with the approval of the Board by resolution adopted by a majority of Directors then in office, approve the discontinuation of the Company in Bermuda and the continuation of the Company in a jurisdiction outside Bermuda.

#### **ALTERATION OF BYE-LAWS**

165. These Bye-laws may be amended from time to time in the manner provided for in the Companies Acts.

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**BERMUDA**  
**THE COMPANIES ACT 1981**

**MEMORANDUM OF CONTINUANCE OF COMPANY  
LIMITED BY SHARES**  
(Section 132C(2))

**MEMORANDUM OF CONTINUANCE  
OF**

**FLEX LNG LTD.**  
(hereinafter referred to as the “Company”)

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.
2. The Company is an exempted company as defined by the Companies Act 1981.
3. The authorised share capital of the Company shall be US\$1,000,000,000 divided into 100,000,000,000 shares of US\$0.01 par value each.
4. The Company, with the consent of the Minister of Finance, has power to hold land situate in Bermuda not exceeding NIL in all, including the following parcels:-  
  
Not applicable.
5. Details of Incorporation:  
  
The Company was incorporated under the name FLEX LNG LTD pursuant to the laws of the British Virgin Islands on 31 August 2006.
6. The objects of the Company from the date of continuance are unrestricted.

7. The following are provisions regarding the powers of the Company -

The Company shall have the capacity, rights, powers and privileges of a natural person.

The Company shall have, pursuant to Section 42 of the Companies Act 1981, the power to issue preference shares which are liable to be redeemed at the option of the holder.

The Company shall have, pursuant to Section 42A of the Companies Act 1981, the power to purchase its own shares for cancellation.

The Company shall have, pursuant to Section 42B of the Companies Act 1981, the power to acquire its own shares to be held as treasury shares.

Signed by a duly authorised person in the presence of at least one witness attesting the signature thereof:

  
\_\_\_\_\_  
Director M. HERMANSEN

  
\_\_\_\_\_  
Witness L. BARSTAD

Dated this 8<sup>th</sup> day of JUNE 2017.

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## APPENDIX C — VALUATION REPORT

## VALUATION CERTIFICATE

Vessel	Dwt (about)	Built	Value (MUSD)
<b>LNGC</b>			
Endeavor	82 500	2018	210
Enterprise	82 500	2018	210
Ranger	82 000	2018	210
Rainbow	82 000	2018	210
Constellation	82 500	2019	210
Couragous	82 500	2019	210
Aurora	82 500	2020	200
America	82 500	2020	200

 **Fearnleys**

Value estimates as per 30th September 2018

Our standard disclaimer applies.

**VALUATION DISCLAIMER****(i) Introduction**

*This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.*

**(ii) Main valuation assumptions**

*This valuation is performed on the basis of "willing seller and willing buyer" at arm's length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessels being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.*

*The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.*

**(iii) Factual assumptions and estimates and valuation methodology**

*The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. A breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.*

*Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.*

*The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.*

*Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurring with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.*

*Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.*

**(iv) No physical inspection – good and seaworthy condition**

*We have not made a physical inspection of the vessel, nor have we inspected the classification or maintenance records. Our opinion is based on information of the vessel stipulated in standard reference books, or obtained by other sources as we have deemed appropriate. We have assumed for the purpose of the valuation that the vessel is in good and seaworthy condition with prompt charter free delivery (unless otherwise noted), with her class fully maintained, free of conditions and recommendations, undamaged and normally equipped. We have not assessed the validity of employment contracts or the standing of charterers. Our assumptions are made irrespective of any actual knowledge of facts to the contrary. We assume no responsibility for the accuracy of such assumptions or information. Any person contemplating entering into a transaction or otherwise relying on this valuation should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements and assumptions which the valuation contains.*

**(v) Conflicting mandates**

*We might have valuation assignments and/or other advisory mandates for your competitors or for potential buyers of similar vessel(s), which could be construed as a conflict of interest. We might also be involved as advisor or otherwise in transactions for purchase or sale of vessel(s), which we for confidentiality reasons may not take into account in our valuations.*

**(vi) Addressees**

*This valuation is provided solely for the use of the person to whom it is addressed for the intended non-public purposes. No liability or responsibility can be accepted towards any other person, neither by ourselves or our officers or directors. The valuation should not be disclosed to any third party, published or circulated without our written permission.*

**(vii) Date and duration**

*This valuation has been made as of the date specified, and is only representative of the fair value as of this date. It does not purport to be forward looking, and any material facts or matters of any kind arising up to or beyond this date may have significance for the assumptions and the opinion and estimation of fair market value stated herein.*

*This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.*

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*Fearnleys / Fearnleys***Fearnleys AS**

Enterprise number NO 943 190 410 VAT

An Astrup Fearnley company

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## REGISTERED OFFICE AND ADVISORS

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Par-la-Ville Place  
4th Floor  
14 Par-la-Ville Road  
Hamilton  
Bermuda  
Tel: +44 (0) 207 543 6695  
[www.flexlng.com](http://www.flexlng.com)

### **Legal Advisor to the Company**

*(as to Norwegian law)*

**Advokatfirmaet BAHR AS**  
Tjuvholmen allé 16  
0252 Oslo  
Norway

*(as to Bermuda law)*

**MJM Limited**  
Thistle House  
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Hamilton HM 11  
Bermuda

### **VPS Registrar**

**DNB Bank ASA**  
Registrars Department  
Dronning Eufemias gate 30  
0191 Oslo  
Norway

### **Auditor**

Ernst & Young AS  
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Norway