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.

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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 20MMMtpato the global marked 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 LNGC 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 to the follow 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** 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
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)
Operating income (loss) before	**3,011**	**(7,428)**	**5,357**	**(9,803)**	**(12,612)**
Depreciation	(2,753)	—	(5,063)	1	(2)
Operating income (loss)	**258**	**(7,428)**	**294**	**(9,802)**	**(12,614)**
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
Income (loss) before tax	**(2,857)**	**(6,652)**	**(4,635)**	**(7,632)**	**(10,390)**
Income tax expense	—	5	2	9	(17)
Net income (loss)	**(2,857)**	**(6,657)**	**(4,633)**	**(7,641)**	**(10,407)**
Attributable to:					
Equity holders of the parent	(2,857)	(6,657)	(4,633)	(7,641)	(10,407)
Earnings per share:					
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
Income (loss) for the period	(2,857)	(6,657)	(4,633)	(7,641)	(10,407)
Total other comprehensive profit	—	—	—	—	—
Total comprehensive income (loss) for the period	**(2,857)**	**(6,657)**	**(4,633)**	**(7,641)**	**(10,407)**
Attributable to:					
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)

30 June 2018

	Note	H1 2018	H1 2017	2017
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
Total non-current assets		**927,012**	**663,390**	**666,940**
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
Total current assets		**81,719**	**25,153**	**17,570**
TOTAL ASSETS		**1,008,731**	**688,543**	**684,510**
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
Total equity		**515,500**	**522,944**	**520,101**
Long-term debt	6	467,995	160,000	160,000
Total non-current liabilities		**467,995**	**160,000**	**160,000**
Current liabilities		10,798	5,599	4,409
Short term portion of long-term debt		14,438	—	—
Total current liabilities		**25,236**	**5,599**	**4,409**
Total liabilities		**493,231**	**165,599**	**164,409**
TOTAL EQUITY AND LIABILITIES		**1,008,731**	**688,543**	**684,510**

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Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)					
30 June 2018	**H1 2018**	**Q2 2018**	**H1 2017**	**Q2 2017**	**2017**
(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)
Net cash flow from operating	**5,447**	**6,805**	**(11,708)**	**(6,719)**	**(17,723)**
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)
Net cash flow used in investing	**(263,439)**	**(183,787)**	**(74,965)**	**(73,904)**	**(77,714)**
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)
Net cash flow from financing	**325,615**	**215,583**	**103,988**	**84,570**	**103,959**
Net cash flow	**67,623**	**38,601**	**17,315**	**3,947**	**8,522**
Cash balance at beginning of period	9,961	38,983	1,439	14,807	1,439
Cash balance at end of period	**77,584**	**77,584**	**18,754**	**18,754**	**9,961**

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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
At 01.01.18	**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 issuance costs	—	—	—	—	—
Share-based payment (shares)	—	—	—	—	—
At 30.06.18	**3,680**	**885,388**	**(384,163)**	**10,595**	**515,500**

30 June 2017	Share capital	Share premium reserve	P&L reserve	Additional paid in capital	To equity holders
At 01.01.17	**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)	329,076
Share issuance costs	—	(4,481)	—	—	(4,481)
Share-based payment (shares)	—	—	—	50	50
At 30.06.17	**3,680**	**885,417**	**(376,765)**	**10,612**	**522,944**

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.

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

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 to 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 is $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.

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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 [1]	5,000,000	1.4%
State Street Bank [1]	4,616,496	1.3%
Catella Hedgefond	4,605,963	1.3%
Euroclear Bank S.A/N.V [1]	4,458,482	1.2%
Goldman Sachs & Co. LLC [1]	4,407,152	1.2%
Other	120,172,613	32.7%
Total	**367,972,382**	**100.0%**

[1] Nominee account

FLEX LNG

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:

Flex LNG Limited
Par-La-Ville Place
14 Par-La-Ville Road
Hamilton Bermuda

Flex LNG Management AS
Bryggegata 3
0250 Oslo
Norway

Flex LNG Management Ltd.
3rd Floor, 183 St. Vincent Street
Glasgow G2 5QD
United Kingdom

Flex LNG Management Ltd.
1 Wallich Street
#14-02 Guoco Tower
Singapore 078881