

FLEX LNG

FLEX LNG LTD

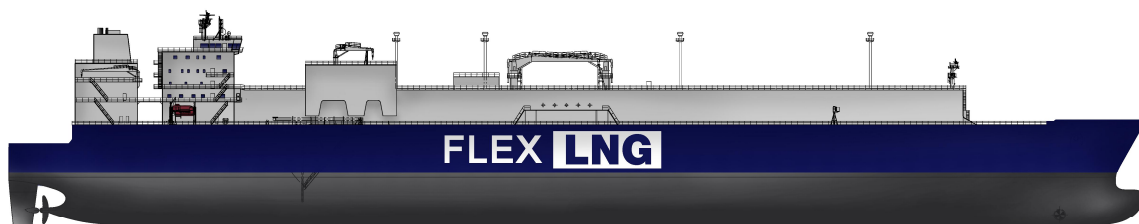


Illustration courtesy of Samsung Heavy Industries

Q2 2017 & H1 2017



August 25, 2017 – Hamilton, Bermuda – FLEX LNG LTD. (Oslo Børs: FLNG) (together with its subsidiaries, the “Company” or “FLEX LNG”), an emerging participant in the LNG shipping and floating regasification market, today reports unaudited results for the three and six months ended June 30, 2017.

Highlights for H1 2017 and Q2 2017

- Reports loss before tax for the second quarter of \$6.7m, or \$0.03 per share and \$7.6m, or \$0.03 per share, for H1 2017
- Entered into time charters for four Liquefied Natural Gas carriers for 180 days with options to extend for further 180 days in order to establish a market presence and build an operational track record
- Entered into agreements to acquire four high specification MEGI LNG carriers currently under construction at Daewoo Shipbuilding and Marine Engineering Co. Ltd. (“DSME”), increasing newbuilding fleet to six vessels
- Successfully completed \$125m private placement in the second quarter, following the \$100m placement in the first quarter
- Actively working with NextDecade Global Solutions to provide their customers with fully-integrated LNG import solutions, including Port of Cork FSRU project
- Transferred primary share listing from the Oslo Axess to Oslo Børs subsequent to the end of the quarter

Subsequent events

- Two of the time charter vessels will be redelivered at the end of their initial charter period
- The options have been declared to extend the remaining two time charter vessels for another 180 days. These vessels have been fixed for the majority of the option period, starting in September 2017 with redelivery in the first quarter 2018. These fixtures are expected to have a positive earnings contribution

Jonathan Cook, CEO comments:

“We have made significant progress over the past six months as we execute on our strategy of becoming a market leader in LNG transportation and LNG infrastructure services. Our newbuilding fleet of state of the art LNG carriers will be among the most efficient in the global fleet, which will provide FLEX LNG with significant competitive advantages. The first two vessels are expected to be delivered in the first quarter of next year, and we have been operating four vessels chartered-in on short term contracts to establish our presence in the market and develop best-in-class operations ahead of these deliveries. Separately, we have been making good progress developing floating storage and regasification opportunities globally. These are important first steps towards building FLEX into a leading participant in the rapidly expanding LNG market. We continue to focus our efforts on several attractive growth opportunities within LNG shipping and floating storage and regasification segments.”



Business Update

Liquefied Natural Gas Carriers ("LNGCs")

FLEX LNG has entered into agreements to order or acquire six M-type, Electronically Controlled, Gas Injection ("MEGI") LNGCs, as described further below. 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. The Company's MEGI LNGCs are scheduled to be delivered over the next two years.

Two of the Company's LNGCs, originally ordered in 2013, 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.

In February 2017, the Company entered into a transaction for the acquisition of two high-end MEGI LNGC newbuilds under construction at Daewoo Shipbuilding and Marine Engineering Co. Ltd. ("DSME"). These vessels were acquired from affiliates of Geveran Trading Co. ("Geveran"), the Company's largest shareholder, and are expected to be delivered to the Company in the first quarter of 2018.

In April 2017, the Company entered into an agreement to acquire two additional MEGI LNGCs currently under construction at DSME from affiliates of Geveran. These vessels are expected to be delivered to the Company in 2019.

Upon delivery of the newbuilding vessels described above, the Company will own a fleet of six MEGI LNGCs with the most advanced propulsion and fuel-efficient technology compared to the existing LNG fleet.

The Company has entered into four separate LNGC time charters for 180 days with an option to extend for a further 180 days. The vessels are modern Tri-Fuel Diesel Electric ("TFDE") LNGCs, with sizes ranging from 155,000m³ to 174,000m³, and were delivered to the Company towards the end of the first quarter of 2017. The Company actively sub-chartered these LNGCs in the spot and short term market to a wide range of LNG charterers. The LNG spot market in the second quarter was characterized by lower than expected hire rates and lower utilization levels, and the Company elected to not extend the time charters on two of the four vessels. The Company successfully secured employment for the remaining two vessels to third parties for the duration of the optional extension period, starting in September 2017 with redelivery in the first quarter of 2018. These two extensions will have a positive contribution to the Company's earnings. The Company will continue to evaluate opportunities to charter in third party LNGCs to the extent that they will provide a positive contribution to the earnings position.

The Company's chartering activities have allowed it to establish a presence in the market and build an operational track record. Additionally, the Company has begun to develop strong customer relationships and undergone extensive vetting processes with respect to its



operational and internal controls, as well as putting in place Master Time Charter Contracts with key LNG charterers. These actions have positioned the Company to actively market its MEGI LNGCs ahead of their respective deliveries.

Floating Storage and Regasification Units (“FSRUs”)

FLEX LNG’s senior management team has decades of experience developing FSRU projects and has been involved in greater than half of the FSRU projects that have been completed globally. The Company is actively pursuing opportunities to leverage its experience towards the implementation of FSRU projects.

The Company and NextDecade Global Solutions, a subsidiary of NextDecade, LLC (NASDAQ: NEXT) (“NextDecade”), have signed a Heads of Agreement (“HOA”) to create a full value chain solution for customers seeking to purchase LNG from NextDecade’s Rio Grande LNG export project in Brownsville, TX. Initially, NextDecade and FLEX LNG will develop FSRU and dockside solutions for international customers of NextDecade, with the LNG supply also provided by NextDecade. The HOA will enable the companies to jointly develop and deliver timely cost-effective LNG import solutions tailored to their customers’ needs.

On July 19, 2017, NextDecade announced that it had signed a Memorandum of Understanding (“MOU”) with the Port of Cork Company (“Port of Cork”) to advance a joint business development opportunity in Ireland for a new FSRU and associated LNG import terminal infrastructure. Under the terms of the MOU, the potential development at the Port of Cork would receive LNG from NextDecade’s Rio Grande LNG export project. FLEX LNG will be supporting NextDecade to provide a fully integrated LNG import solution for the proposed LNG terminal at the Port of Cork.

Results for the Three and Six Months Ended June 30, 2017

The Company reports a net loss of \$6.7m and loss per share of \$0.03 for the second quarter of 2017 compared with a net loss of \$0.7m and a loss per share of \$0.01 for the second quarter of 2016. Net loss for the first half of 2017 was \$7.6m compared to net loss of \$1.1m in the first half of 2016.

Voyage Revenue amounted to \$8.0m and \$9.7m in the second quarter and first half of 2017, respectively, and related to four vessels that have been chartered in by the Company. Voyage revenue for the second quarter and first half of 2016 was nil as the Company did not have any vessels in its operating fleet.

Voyage Costs, including the costs to charter in vessels, voyage related costs, and broker commissions amounted to \$14.4m and \$17.7m in the second quarter and first half of 2017, respectively, and related to expenses incurred in connection with the vessels that were chartered.



Administrative expenses of \$1.0m in the second quarter of 2017 increased by \$0.4m compared to the second quarter of 2016. The increase in administrative expenses is attributable increased overhead as the Company builds up its staffing and operational structures and includes legal costs in relation to the transfer of the Company's shares from the Oslo Axess to Oslo Børs and the move of Company registration from the British Virgin Islands to Bermuda. In H1 2017 administrative expenses were \$1.8m against \$1.0m in 2016.

The hedge credit of \$0.7m arose from USD/NOK hedge as the proceeds of the second private placements were hedged into USD from NOK. The transaction could not be hedge accounted for under IFRS. In the first half of 2017, the hedge gain was \$2.3m, including the hedge gain on the first private placement.

In addition, costs of \$3.0m have been capitalised (2016: \$0.2m) onto the four new building assets.

The Company's cash balances increased by \$3.9m in the second quarter to \$18.8m (2016: \$0.4m net outflow). In the six months to June the Company's cash balance increased by \$17.3m (2016: \$0.9m outflow). In the six months in 2017 the operating cash outflow was \$11.7m (principally the operating loss after adjusting for the non cash, working capital changes and finance costs paid): Investing activities, \$3.0m of cost capitalisation and \$72.0m of advance payments made in relation to new build assets: Financed by \$221.0m of net share issuance less \$117.0m of debt repayment.

Financing Update

In the first quarter of 2017, the Company entered into a transaction to acquire two high-end MEGI LNGC newbuilds from Gevean under construction at DSME (the "Initial DSME LNGCs"). The consideration payable for the newbuilds was comprised of 78 million newly-issued shares in the Company and a \$270.0m, revolving credit facility between the Company and a company affiliated to Gevean (the "Credit Facility"). The Company also assumed responsibility for the remaining newbuilding instalments payable to DSME amounting to approximately \$20.4m.

The Credit Facility has an attractive fixed interest rate of 1.00% that increases to LIBOR + 300 bps with a tenor of three years following the delivery of the Initial DSME LNGCs. The intention is to refinance the Credit Facility with bank debt when the vessels are delivered. 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 the Initial DSME LNGCs. It is a strong indication of the support and commitment of the Company's largest shareholder.

In connection with the acquisition of the Initial DSME LNGCs, the Company raised the equivalent of approximately \$100m through the issuance of 72.4 million shares in a private placement that received strong interest from large institutional investors and was significantly over-subscribed.



In the second quarter of 2017, the Company entered into a transaction to acquire two additional MEGI LNGCs under construction at DSME from Gevevan. The total consideration to be paid by the Company for the acquisition of these vessels is \$180m per vessel, of which 20% has been paid and the balance due upon each vessel's delivery. In conjunction with this transaction, the Company successfully completed a private placement of 89.5 million new shares in the Company, raising gross proceeds of approximately \$125m.

Following the receipt of the proceeds from the private placements, the Company repaid \$110m under the Credit Facility and repaid a \$7m loan to Metrogas, an affiliate of Gevevan, related to a 2014 working capital loan agreement.

The Company has entered into discussion with financial institutions to secure debt financing for its newbuilding programme. The initial feedback has been positive and the Company is confident that we will be able to secure attractive financing in the coming months.

Corporate Update

In 2017, the Company completed the appointment of Mr. Jonathan Cook as Chief Executive Officer and Thomas Thorkildsen as Senior Vice President, Business Development to lead the business development activities of the Company. Messrs. Cook and Thorkildsen have extensive LNG and FSRU experience and are exceptionally well suited to lead the Company's development plans.

In July 2017, the Company completed the transfer of its shares from the Oslo Axess exchange to the main Oslo Børs. The transfer will help to increase the Company's visibility among the investment community and to facilitate the purchase and sale of the Company's shares.

367,935,181 ordinary shares were outstanding as of June 30, 2017, and the weighted average number of shares outstanding for the period was 247,635,957.

LNG Market Outlook and Strategy

The LNG shipping market is beginning to show signs of improvement following a period of seasonal weakness. While shipping rates were down in the second quarter as compared to the first quarter of this year, largely due to fluctuations in seasonal demand, global demand for seaborne LNG continues to grow. In the first half of 2017 143 million tonnes of LNG were exported, up 12% over the same period last year. Demand growth has come primarily from Asia, with Japan, South Korea, China, India and Taiwan all showing strong annualized growth. An important trend that continues to emerge is the globalization of the market. Historically, intra-basin trade in the Atlantic and the Pacific has been a large component of the LNG shipping market. This has begun to change as U.S. and Australian export capacity continues to come on stream, countries ease trading restrictions, and import solutions are developed globally.



The growth in imports included four new LNG importing countries, three of which chose their import terminal solution in the form of FSRUs (Jordan, Pakistan and Egypt). Thus far in 2017, U.S. LNG has been exported to 25 countries, as compared to 12 in 2016. A growing number of cargoes from Sabine Pass, the only operational liquefaction terminal in the U.S., are heading to Asian markets, which has a positive effect on ton-mile demand and reflects the globalization of the market where an increasing amount of LNG is sold on a spot basis under contracts without destination restrictions.

Most of the future growth in world energy demand is expected to come from rapidly growing emerging economies, with a significant portion of this growth likely to stem from China and India. Of the three primary energy fuels (coal, oil and gas) gas is the only one that is expected to continue to grow its relative portion of the share of the global energy portfolio. 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 in turn be a positive driver of demand for downstream product, LNG shipping, and LNG import solutions. With their general flexibility and fast track implementation, 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 18 months. As such, the Company is well positioned with six MEGI LNG carriers set for deliveries over the next 6-24 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 newbuild LNGCs in both the term and spot markets to secure an optimal position in the improving market.

The Company will continue to take a proactive approach and explore further accretive transactions. It is constantly evaluating opportunities in the charter, newbuild and second-hand market and has significant financial flexibility to pursue transformational deals due to the continued support of its largest shareholder to pursue these deals.

Conference Call and Webcast

On August 25, 2017 at 14:00 UK time, the Company's management will host a conference call to discuss these results.

Participants should dial into the call 10 minutes before the scheduled time using the following numbers:

International Dial-In/UK Local	+44(0)20 3427 1905
Norway Local	+47 23 50 04 86
USA Local	+1 212 444 0895
Conference ID	8689732



Presentation materials and a webcast of the conference call may be accessed on the Company's website, www.flexlng.com, under the 'Investor Relations' tab.

A replay of the conference call will be available for seven days following the live call. The following numbers may be used to access the telephonic replay:

International Dial-In/UK Local	+44 (0) 207 984 7568
Norway Local	+47 23 50 00 77
USA Local	+1 719 457 0820
Replay Access Number	8689732

The Board of Directors
FLEX LNG Ltd.
Hamilton, Bermuda
August 25, 2017

Questions should be directed to:

Jonathan Cook, Chief Executive Officer
Tel. +44 20 7543 6699



Forward-Looking Statements

THIS REPORT HAS BEEN PRODUCED BY FLEX LNG LTD. ("FLEX LNG" OR "THE COMPANY"), SOLELY FOR INFORMATION PURPOSES AND DOES NOT PURPORTE 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 ANY 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, INPORTANT FACTORS THAT, IN OUR VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE THE STRENGTH OF WORLD ECONOMIES, FLUCTUATIONS IN CURRENCIES AND INTEREST RATES, GENERAL MARKET CONDITIONS, CHANGES 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 MATERIALS AND FLEX HAS NOT UNDERTAKEN ANY INDEPENDENT INVESTIGATION TO CONFIRM THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.



Statement on Financial Compliance

We confirm, to the best of our knowledge, that the condensed financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and results of the Company. We also confirm to the best of our knowledge that the condensed financial statements include a true and fair review of the development and performance of the business during the period, and together with the 2016 Annual Report a description of the principal risks and uncertainties facing the Company.

Board of Directors of FLEX LNG Ltd.
25 August 2017

David McManus

Marius Hermansen

Ola Lorentzon

Georgina E. Sousa

Claire M. E. Burnard



Unaudited Interim Financial Report Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

30 June 2017	Unaudited				
	Q2 17	Q2 16	H1 17	H1 16	2016
Voyage revenues	8,012	0	9,710	0	0
Voyage related costs	14,444	0	17,744	0	0
Administrative expenses	996	598	1,769	957	1,483
Operating loss before depreciation	(7,428)	(598)	(9,803)	(957)	(1,483)
Depreciation	0	0	1	1	2
Operating loss	(7,428)	(598)	(9,804)	(958)	(1,485)
Finance income	57	3	58	6	9
Finance cost	0	(66)	(234)	(132)	(314)
Hedge gain	719	0	2,346	0	0
Loss before tax	(6,652)	(661)	(7,634)	(1,084)	(1,790)
Income tax expense	5	7	9	4	(1)
Net loss	(6,657)	(668)	(7,643)	(1,088)	(1,789)
Attributable to:					
Equity holders of the parent	(6,657)	(668)	(7,643)	(1,088)	(1,789)
Earnings per share:					
Basic and diluted	(0.03)	(0.01)	(0.03)	(0.01)	(0.01)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

30 June 2017	Unaudited				
	Q2 17	Q2 16	H1 17	H1 16	2016
Loss for the period	(6,657)	(668)	(7,643)	(1,088)	(1,789)
Total other comprehensive profit	0	0	0	0	0
Total comprehensive income for the period	(6,657)	(668)	(7,643)	(1,088)	(1,789)
Attributable to:					
Equity holders of the parent	(6,657)	(668)	(7,643)	(1,088)	(1,789)



Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

30 June 2017		Unaudited		
	Note	H1 2017	H1 2016	2016
New building assets and capitalised costs	3	591,385	211,449	212,472
Vessel purchase prepayment	3	72,000	0	0
Plant and equipment		5	2	2
Total non-current assets		663,390	211,451	212,474
Inventory		2,169	0	0
Other current assets		4,229	38	220
Cash and cash equivalents	4	18,754	2,793	1,439
Total current assets		25,152	2,831	1,659
TOTAL ASSETS		688,542	214,282	214,133
Share capital		3,679	1,279	1,279
Share premium		885,417	563,126	563,174
Other equity		(366,153)	(357,810)	(358,511)
Equity attributable to equity holders of the parent		522,943	206,595	205,942
Total equity		522,943	206,595	205,942
Other financial liabilities	6	160,000	7,000	7,000
Total non-current liabilities		160,000	7,000	7,000
Current liabilities		5,599	687	1,191
Total current liabilities		5,599	687	1,191
Total liabilities		165,599	7,687	8,191
TOTAL EQUITY AND LIABILITIES		688,542	214,282	214,133



Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

30 June 2017	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.17	1,279	563,174	(369,122)	10,611	205,942
Loss for the period			(7,643)		(7,643)
Other comprehensive income			0		0
Total comprehensive income			(7,643)		(7,643)
Shares issued	2,400	326,724		(49)	329,075
Share issuance costs		(4,481)			(4,481)
Share-based payment (shares)				50	50
At 30.06.17	3,679	885,417	(376,765)	10,612	522,943

30 June 2016	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.16	1,279	563,080	(367,333)	10,608	207,634
Loss for the period			(1,088)		(1,088)
Other comprehensive income			0		0
Total comprehensive income			(1,088)		(1,088)
Shares issued		46		(46)	0
Share-based payment (shares)				49	49
At 30.06.16	1,279	563,126	(368,421)	10,611	206,595

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

	Unaudited		
30 June 2017	H1 2017	H1 2016	2016
(Loss) before tax	(7,634)	(1,084)	(1,790)
Non cash items	(2,292)	176	405
Working capital adjustments	(1,736)	281	784
Income tax paid	0	4	(1)
Interest received	58	6	9
Finance costs paid	(104)	(133)	(486)
Net cash flow from operating activities	(11,708)	(750)	(1,079)
Capitalised expenditure	(2,961)	(179)	(1,202)
Purchase of plant and equipment	(4)	0	(2)
Advance payment for new build assets	(72,000)	0	0
Net cash flow used in investing activities	(74,965)	(179)	(1,204)
Net proceeds from issue of share capital	220,988	0	0
Repayment of debt	(117,000)	0	0
Net cash flow from financing activities	103,988	0	0
Net cash flow	17,315	(929)	(2,283)
Cash balance at beginning of period	1,439	3,722	3,722
Cash balance at end of period	18,754	2,793	1,439

Notes to the Interim Consolidated Accounts

Note 1: General information

FLEX LNG Ltd (together with its subsidiaries, the "Company" or "FLEX LNG") is a limited liability company, originally incorporated in the British Virgin Islands and registered in Bermuda as of June 2017. The Company's activities are focused on LNG transportation and FSRU projects. The interim condensed consolidated financial statements of the Company for the quarter and half year ended 30 June 2017 were authorised by the Board of Directors for release on 25 August 2017.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and period ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and have not been audited. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2016.

Note 2: Accounting principles (continued)

The preparation of interim accounts involves the use of appraisals, estimates and assumptions influencing the application of accounting principles and recognised amounts for assets, obligations and costs. Actual results may differ from these estimates. The uncertainties and risks include both those noted in the 2016 accounts, as updated by the Q2 report, and principally include: the ability to secure employment contracts on reasonable terms for the vessels under construction; managing the design and construction period; obtaining 2018 delivery and working capital finance on reasonable terms; the time charter rates that will be obtained in 2017 for the vessels chartered in; obtaining 2018 delivery and working capital finance, and the general LNG and LNG shipping market conditions and trends. The Company operates in only one segment with respect to products and services. Segment reporting is thus not currently relevant.

Accounting policies - The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, the new IFRS Standards and Interpretation introduced in 2017 are currently believed to have no impact on the Company.

At the end of the second quarter of 2017, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective. The 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. Currently the Company estimates that the implementation will have no impact, or are currently unable to fully determine the impact.

Note 3: New building assets and capitalised costs

In the first quarter of 2017, the Company acquired two LNGC newbuilds 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, \$376.0m.

In the second quarter of 2017, supervision, interest expense and supervision costs, of \$1.9m (2016: \$0.0m) and \$3.0m year to date (2016: \$0.2m) have been capitalised, in relation to the four LNGCs being delivered in 2018. 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 advanced payments of \$72.0m in the second quarter of 2017, with the balance due at delivery. Under the agreement to purchase these assets the seller continues to hold the shipbuilding contract with the yard and is responsible for the supervision of the vessel construction, with title transferring the FLEX at the delivery date.

As part of the accounts completion the Company has reviewed the market prices for new builds, obtained a broker valuation for the vessels, and concluded that the recoverable amounts are such that no impairment provision was required on 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;

<i>(Unaudited figures in USD,000)</i>	Unaudited		
	H1 2017	H1 2016	2016
Cash at bank and in hand	18,754	2,793	1,439

Note 5: Capital & other commitments

The remaining capital commitments are detailed in the table below.

USD million (unaudited)

	<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
Total	<u>84.90</u>	<u>106.92</u>	<u>42.38</u>	<u>144.00</u>	<u>144.00</u>

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 and it is expected that the same will occur on HN 2108.

On LNGC Time Charters In – The Company has entered into four separate LNGC time charters for 180 days with the option to extend for a further 180 days. Options to extend have been extended for two LNGCs, and the other two are expected to be redelivered. The estimated remaining charter commitments as at 30 June total \$19.8m, based on expected return dates and including off-hire periods.

Note 6: 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.

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, which was drawn down from a \$270m Credit Facility. The Credit Facility has a fixed interest rate of 1.00% that increases to LIBOR + 300 bps with a tenor of three years following the delivery of the Initial DSME LNGCs. The intention is to refinance the Credit Facility with bank debt when the vessels are delivered. 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 the Initial DSME LNGCs. Following two private placements completed in the first half of 2017, \$110.0m has been repaid on the Credit Facility and \$160.0m remains outstanding.

Note 7: Going concern

The interim 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 remains appropriate for the Company. Given the Credit Facility and the bank debt expected to be raised when the vessels are delivered, the Company is expected to have working capital for the next 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

In 2014, the Company entered into a loan agreement with Metrogas for the provision of \$7.0m of working capital. The loan bears a fixed rate of interest and was secured against the shares in vessel-owning subsidiaries of the Company. The loan was repaid in the first quarter of 2017. The interest cost in the period to 30 June was \$61k. The Credit Facility was entered into in the first quarter of 2017, and interest of \$602k has been incurred in the period to 30 June, of which \$107k was outstanding at the period end. The Credit Facility is secured by share pledges over the shares in FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited, subsidiaries that own the contracts for the Initial DSME LNGCs.

A newbuilding supervision agreement have 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 30 June 2017, costs of \$2,322k have been capitalised, with \$2,322k outstanding at the period end.

The FLEX LNG Management Limited receives staff, office, commercial, legal and accounting support from companies affiliated to Gevevan, at the period end costs of \$503k had been incurred of which \$181k was outstanding at the period end.

Note 9: Subsequent events

On the four chartered in vessels the Company has not exercised the option to extend the charters on two of the four vessels.

In July 2017, the Company completed the transfer from Oslo Axxess to the main Oslo Børs.

Note 10: Key figures

	H2 2017	H1 2016	2016
No. of shares outstanding	367,935,181	127,906,882	127,945,657
No. of shares fully diluted	367,935,181	127,906,882	127,945,657
Average no. of outstanding shares	247,635,957	127,903,202	127,922,003
Share price (NOK)	10.50	10.95	11.00
Market capitalisation (NOK'm)	3,863	1,401	1,407

Shareholders

10 main shareholder at 30.06.17:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	191,131,803	51.9%
VERDIPAPIRFONDET DNB	18,793,955	5.1%
SKAGEN VEKST	8,770,000	2.4%
FIDELITY PURITAN	8,726,500	2.4%
UBS AG, LONDON BRANCH ¹	8,644,971	2.3%
SKANDINAVISKA ENSKIL ¹	8,611,731	2.3%
FIRST GENERATOR	6,463,144	1.8%
CREDIT SUISSE	6,178,150	1.7%
SEB STO, SKANDINAVISKA ENSKIL	5,817,689	1.6%
SOCIETE GENERALE BNY MELLON	4,950,000	1.3%
OTHER	99,847,238	27.2%
Total	367,935,181	100.0%

Note¹ - Nominee account.