

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

For the transition period from _____ to _____

Commission file number: 001-38904

FLEX LNG Ltd.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

**Par-La-Ville Place
14 Par-La-Ville Road**

**Hamilton
HM08**

Bermuda

(Address of principal executive offices)

With copies to:

James Ayers, Company Secretary

**Par-La-Ville Place
14 Par-La-Ville Road
Hamilton**

HM08

Bermuda

Telephone: +1 441 295 69 35

Facsimile: +1 441 295 3494

(Name, Telephone, E-mail and/or Facsimile, and address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Ordinary Shares, par value \$0.10 per share	FLNG	New York Stock Exchange

Securities registered or to be registered pursuant to section 12(g) of the Act.

NONE

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2021, there were 53,130,584 ordinary shares, par value \$0.10 per share, issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the international Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under the plan confirmed by a court.

Yes

No

TABLE OF CONTENTS

	<u>Page</u>
PART I	<u>1</u>
ITEM 1.	<u>1</u>
ITEM 2.	<u>1</u>
ITEM 3.	<u>1</u>
ITEM 4.	<u>32</u>
ITEM 4A.	<u>52</u>
ITEM 5.	<u>53</u>
ITEM 6.	<u>65</u>
ITEM 7.	<u>69</u>
ITEM 8.	<u>70</u>
ITEM 9.	<u>72</u>
ITEM 10.	<u>72</u>
ITEM 11.	<u>79</u>
ITEM 12.	<u>80</u>
PART II	<u>81</u>
ITEM 13.	<u>81</u>
ITEM 14.	<u>81</u>
ITEM 15.	<u>81</u>
ITEM 16.	<u>82</u>
ITEM 16A.	<u>82</u>
ITEM 16B.	<u>82</u>
ITEM 16C.	<u>82</u>
ITEM 16D.	<u>83</u>
ITEM 16E.	<u>83</u>
ITEM 16F.	<u>83</u>
ITEM 16G.	<u>84</u>
ITEM 16H.	<u>84</u>
PART III	<u>85</u>
ITEM 17.	<u>85</u>
ITEM 18.	<u>85</u>
ITEM 19.	<u>86</u>

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

Our disclosure and analysis in this annual report pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. The Private Securities Litigation Reform Act of 1995, or the PSLRA, provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We are taking advantage of the safe harbor provisions of the PSLRA and are including this cautionary statement in connection therewith. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. This annual report includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "seeks," "targets," "potential," "continue," "contemplate," "possible," "likely," "might," "will," "would," "could," "projects," "forecasts," "may," "should" and similar expressions are forward-looking statements.

All statements in this annual report that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- general LNG shipping market conditions, including fluctuations in charter rates and vessel values;
- the volatility of prevailing spot market charter rates;
- our future operating or financial results;
- global and regional economic and political conditions or events, including "trade wars" and other, including armed conflicts, piracy or acts by terrorists;
- fluctuations in interest rates and foreign exchange rates;
- stability of Europe and the Euro;
- our business strategy and expected and unexpected capital spending and operating expenses, including dry-docking, surveys, upgrades, insurance costs, crewing and bunker costs;
- our expectations of the availability of vessels to purchase, the time it may take to construct new vessels and risks associated with vessel construction and vessels' useful lives;
- LNG market trends, including charter rates and factors affecting supply and demand;
- the supply of and demand for vessels comparable to ours, including against the background of possibly accelerated climate change transition worldwide which would have an accelerated negative effect on the demand for fossil fuels, including LNG, and thus transportation of LNG;
- our financial condition and liquidity, including our ability to repay or refinance our indebtedness and obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our ability to enter into and successfully deliver our vessels under time charters or other employment arrangements for our vessels after our current charters expire and our ability to earn income in the spot market (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months);
- our ability to compete successfully for future chartering opportunities and newbuilding opportunities (if any);
- estimated future maintenance and replacement capital expenditures;

- the expected cost of, and our ability to comply with, governmental regulations, including environmental regulations, maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;
- customers' increasing emphasis on environmental and safety concerns;
- availability of and ability to maintain skilled labor, vessel crews and management;
- our anticipated incremental general and administrative expenses as a publicly traded company;
- business disruptions, including supply chain disruption and congestion, due to natural or other disasters or otherwise;
- potential physical disruption of shipping routes due to accidents, climate-related incidents, and public health threats; and
- our ability to maintain relationships with major LNG producers and traders.

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully in "Item 3. Key Information—D. Risk Factors." Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

- changes in governmental rules and regulations or actions taken by regulatory authorities including the implementation of new environmental regulations;
- fluctuations in currencies and interest rates and the impact of the discontinuance of the London Interbank Offered Rate for US Dollars, or LIBOR, after June 30, 2023 on any of our debt referencing LIBOR in the interest rate;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers' abilities to perform under existing time charters;
- shareholders' reliance on the Company to enforce the Company's rights against contract counterparties;
- dependence on the ability of the Company's subsidiaries to distribute funds to satisfy financial obligations and make dividend payments;
- the length and severity of epidemics and pandemics, including the novel coronavirus ("COVID-19") and its impact on across our business on demand, operations in China and the Far East and knock-on impacts to our global operations;
- potential liability from future litigation and potential costs due to environmental damage and vessel collisions;
- potential liability from future litigation, related to claims raised by public-interest organizations or activism with regard to failure to adapt or mitigate climate impact;
- the arresting or attachment of one or more of the Company's vessels by maritime claimants;
- potential requisition of the Company's vessels by a government during a period of war or emergency;
- treatment of the Company as a "passive foreign investment company" by U.S. tax authorities;
- being required to pay taxes on U.S. source income;
- the Company's operations being subject to economic substance requirements;
- the potential for shareholders to not be able to bring a suit against the Company or enforce a judgement obtained against the Company in the United States;

- the failure to protect the Company's information systems against security breaches, or the failure or unavailability of these systems for a significant period of time;
- the impact of adverse weather and natural disasters;
- potential liability from safety, environmental, governmental and other requirements and potential significant additional expenditures related to complying with such regulations;
- any non-compliance with the amendments by the International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels, or IMO, (the amendments hereinafter referred to as IMO 2020) to Annex VI to the International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as MARPOL, which will reduce the maximum amount of sulfur that vessels may emit into the air and applies to us as January 1, 2020;
- technological innovation in the sector in which we operate and quality and efficiency requirements from customers;
- increasing scrutiny and changing expectations with respect to environmental, social and governance policies;
- the impact of public health threats and outbreaks of other highly communicable diseases;
- technology risk associated with energy transition and fleet/systems renewal including in respect of alternative propulsion systems;
- the impact of port or canal congestion;
- the length and number of off-hire periods; and
- other factors described in "Item 3. Key Information—D. Risk Factors" in this annual report.

You should not place undue reliance on forward-looking statements contained in this annual report because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this annual report are qualified in their entirety by the cautionary statements contained in this annual report. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Unless otherwise indicated, the terms "FLEX LNG," "we," "us," "our," the "Company" and the "Group" refer to FLEX LNG Ltd. and its consolidated subsidiaries.

We use the term "LNG" to refer to liquefied natural gas, and we use the term "cbm" to refer to cubic meters in describing the carrying capacity of the vessels in our fleet. Unless otherwise indicated, all references to "U.S. dollars," "USD," "dollars," "US\$" and "\$" in this annual report are to the lawful currency of the United States of America, references to "Norwegian Kroner," and "NOK" are to the lawful currency of Norway, references to "Great British Pounds," and "GBP" are to the lawful currency of the United Kingdom and references to "Swiss Franc" and "CHF" are to the lawful currency of Switzerland.

The consolidated financial statements included in this annual report have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the offer and use of Proceeds

Not applicable.

D. Risk Factors

The following summarizes the risks that may materially affect our business, financial condition or results of operations. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or the trading price of our securities.

Risks Related to Our Industry

Charter hire rates for LNG vessels are volatile and may decrease in the future, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.

Substantially all of our revenues are derived from a single market, the LNG carrier segment, and therefore our financial results depend on chartering activities and developments in this segment. The LNG shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The LNG charter market, from which we derive and plan to continue to derive our revenues, is expected to have demand increased by 5% in 2022 to about 399 million tons following a projected 6% gain. The degree of charter hire rate volatility among different types of LNG vessels has varied widely, and time charter and spot market rates for LNG vessels have in the recent past declined below operating costs of vessels.

Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried on water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in charter rates are also unpredictable. Since we charter our vessels principally in the spot market, we are exposed to the cyclical

nature and volatility of the spot market. Spot market charter hire rates may fluctuate significantly based upon available charters and the supply of and demand for seaborne shipping capacity, and we may be unable to keep our vessels fully employed in these short-term markets. Alternatively, charter rates available in the spot market may be insufficient to enable our vessels to operate profitably. A significant decrease in charter rates would also affect asset values and adversely affect our profitability, cash flows and our ability to pay dividends, if any.

Furthermore, a significant decrease in charter rates would cause asset values to decline and we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results.

Factors that may influence demand for vessel capacity include:

- supply of and demand for LNG;
- the price of LNG;
- changes in the exploration or production of LNG;
- competition from, supply of and demand for alternative sources of energy;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for LNG;
- the globalization of production and manufacturing;
- global and regional economic and political conditions and developments, armed conflicts, including the recent conflicts between Russia and Ukraine, which remain ongoing as of the date of this annual report and terrorist activities, trade wars, tariffs, embargoes and strikes;
- disruptions and developments in international trade;
- changes in seaborne and other transportation patterns, including the distance LNG is transported by sea;
- changes in governmental and maritime self-regulatory organizations' rules and regulations or actions taken by regulatory authorities;
- environmental concerns and uncertainty around new regulations in relation to, amongst others, new technologies which may delay the ordering of new vessels;
- currency exchange rates, most importantly versus the US Dollar; and
- pandemics, such as the COVID-19 outbreak, and other diseases and viruses.

Demand for our LNG vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global LNG fleet and the sources and supply of LNG transported by sea. The capacity of the global LNG vessels fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. As such, adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Factors that influence the capacity capacity of the global LNG fleet, which we reference herein as the "supply of vessel capacity" include:

- number of newbuilding orders and deliveries; as may be impacted by the availability of financing for shipping activity;
- the number of shipyards and ability of shipyards to deliver vessels;
- scrapping of older vessels;

- speed of vessel operation;
- vessel casualties, which may include but are not limited to serious injury, loss or material damage to, grounding or disabling of a vessel;
- the degree of recycling of older vessels, depending, among other things, on recycling rates and international recycling regulations;
- number of vessels that are out of service, namely those that are laid up, dry-docked, awaiting repairs or otherwise not available for hire or blocked in port or canal congestions;
- availability of financing for new vessels and shipping activity;
- business disruptions, including supply chain disruptions and congestion, due to natural and other disasters, including the COVID-19 pandemic, outside our control;
- changes in national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnage; and
- environmental concerns and uncertainty around new regulations in relation to, amongst others, new technologies which may delay, amongst other things, the ordering of new vessels.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing LNG fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

Further, the market may fluctuate widely based on a variety of factors including changes in overall market movements, political and economic events, wars, acts of terrorism, natural disasters (including disease, epidemics and pandemics) and changes in interest rates or inflation rates.

Global economic conditions may negatively impact the LNG shipping industry and we face risks attendant in economic and regulatory conditions around the world.

As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it can be negatively affected by decline in available credit facilities. Any weakening in global economic conditions may have a number of adverse consequences for LNG and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed in the spot market (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months);
- decreases in the market value of LNG vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- widespread loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends, if any.

We face risks attendant to changes in economic environments, changes in interest rates, instability in the banking and securities markets and trade regulation around the world, and the development of the ongoing COVID-19 pandemic, among other factors. Major market disruptions and adverse changes in market conditions and regulatory climate in China, the United

States, the European Union and worldwide may adversely affect our business or impair our ability to borrow amounts under credit facilities or any future financial arrangements.

Chinese LNG imports have accounted for the majority of global LNG transportation growth annually over the last years, with recent demand growth driven by stronger LNG imports to China. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. While the growth rate of China's GDP for the year ended December 31, 2021, was 8.1%, up from a growth rate of approximately 2.2% for the year ended December 31, 2020, it still remains well below pre-2008 levels. Accordingly, our financial condition and results of operations, as well as our future prospects, would likely be hindered by an economic downturn in any of these countries or geographic region. While global economic activity levels, led by China, have improved, the outlook for China and the rest of the world remains uncertain and is highly dependent on the path of COVID-19 and measures taken by governments around the world in response to it. In addition, the International Monetary Fund has warned that continuing trade tensions, including significant tariff increases, between the United States and China could derail recovery from the impacts of COVID-19.

In recent years there have been continuing trade tensions, including significant tariff increases, between the United States and China. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay any cash distributions to our stockholders.

While global economic conditions have generally improved, any renewed adverse economic and governmental factors, together with the concurrent volatility in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition and cash flows and could cause the price of our ordinary shares to decline. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on acceptable terms or at all.

We are dependent on spot charterers and any decrease in spot charter rates in the future may adversely affect our earnings and ability to pay dividends, if any..

As of March 15, 2022, four of our 13 vessels, which are owned, leased or chartered-in by us, were employed in the spot market or on short-term or variable rate time charters, and we are therefore exposed to fluctuations in spot market charter rates.

Although the number of vessels in our Fleet that participate in the spot market will vary from time to time, we anticipate that a significant portion of our fleet will participate in this market. As a result, our financial performance will be significantly affected by conditions in the LNG spot market and only our vessels that operate under fixed-rate time charters may, during the period such vessels operate under such time charters, provide a fixed source of revenue to us.

Historically, the LNG spot freight market has been volatile as a result of the many conditions and factors that can affect the price, supply of and demand for LNG capacity. Weak global economic trends may further reduce demand for transportation of LNG cargoes over longer distances, which may materially affect our revenues, profitability and cash flows. The spot charter market may fluctuate significantly based upon supply of and demand for vessels and cargoes. The successful operation of our vessels in the competitive spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is volatile and there have been periods when spot rates have declined below the operating cost of vessels. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, or meet our obligations, including payments on indebtedness, or to pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage, which may last up to several weeks during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to renew the charters on our vessels on the expiration or termination of our current charters, or on vessels that we may acquire in the future, or the charter rates payable under any replacement charters and vessel values will depend

upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of energy resources.

Risks involved with operating ocean-going vessels could result in the loss of life or harm to our seafarers, environmental accidents or otherwise affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- loss of life or harm to seafarers;
- an accident involving a vessel resulting in damage to the asset or total loss of the same;
- a marine disaster;
- terrorism;
- piracy or robbery;
- environmental accidents;
- cargo and property losses and damage; and
- business interruptions caused by mechanical failure, human error, war, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable LNG operator.

Political instability, terrorist or other attacks, war, international hostilities and global public health threats can affect the seaborne transportation industry, which could adversely affect our business.

We conduct most of our operations outside the United States, and our business, results of operations, cash flows, financial condition and ability to pay dividends, if any, in the future may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts.

Currently, the world economy faces a number of challenges, including trade tensions between the United States and China, stabilizing growth in China, geopolitical events, such as continuing threat of terrorist attacks around the world, continuing instability and conflicts and other recent occurrences in the Middle East, Ukraine and in other geographic areas and countries, and stabilizing growth in China, as well as the public health concerns stemming from the ongoing COVID-19 outbreak.

In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region and most recently in the Black Sea in connection with the recent conflicts between Russia and Ukraine. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our future performance, results of operation, cash flows and financial position.

In February of 2022, President Biden and several European leaders announced various economic sanctions against Russia in connection with the aforementioned conflicts in the Ukraine region, which may adversely impact our business. Our business could also be adversely impacted by trade tariffs, trade embargoes or other economic sanctions that limit trading activities by the United States or other countries against countries in the Middle East, Asia or elsewhere as a result of terrorist attacks, hostilities or diplomatic or political pressures.

On March 8, 2022 President Biden issued an executive order prohibiting the import of certain Russian energy products into the United States, including crude oil, petroleum, petroleum fuels, oils, liquefied natural gas and coal. Additionally, the executive order prohibits any investments in the Russian energy sector by US persons, among other restrictions.

In addition, public health threats, such as COVID-19, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, Japan and South Korea, which may even become pandemics, such as the COVID-19 virus, could lead to a significant decrease of demand for the transportation of LNG. Such events may also adversely impact our operations, including timely rotation of our crews, the timing of completion of any future newbuilding projects. Delayed rotation of crew may adversely affect the mental and physical health of our crew and the safe operation of our vessels as a consequence.

Our financial results and operations may be adversely affected by the ongoing outbreak of COVID-19, and related governmental responses thereto.

In response to the outbreak of COVID-19 in late 2019, governments and governmental agencies around the world took numerous actions, including travel bans, quarantines, and other emergency public health measures, and a number of countries implemented lockdown measures, which resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. By 2021, however many of these measures were relaxed. Nonetheless, we cannot predict whether and to what degree emergency public health and other measures will be reinstated in the event of any resurgence in the COVID-19 virus or any variants thereof. If the COVID-19 pandemic continues on a prolonged basis or becomes more severe, the adverse impact on the global economy and the rate environment for LNG and other cargo vessels may deteriorate further and our operations and cash flows may be negatively impacted. Relatively weak global economic conditions during periods of volatility have and may continue to have a number of adverse consequences for LNG and other shipping sectors, as we experienced in 2020 and we may experience in the future, including, among other things:

- low charter rates, particularly for vessels employed on short-term time charters or in the spot market;
- decreases in the market value of LNG vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The COVID-19 pandemic and measures to contain its spread have negatively impacted regional and global economies and trade patterns in markets in which we operate, the way we operate our business, and the businesses of our charterers and suppliers. These negative impacts could continue or worsen, even after the pandemic itself diminishes or ends. Companies, including us, have also taken precautions, such as requiring employees to work remotely and imposing travel restrictions, while some other businesses have been required to close entirely. Moreover, we face significant risks to our personnel and operations due to the COVID-19 pandemic. Our crews face risk of exposure to COVID-19 as a result of travel to ports in which cases of COVID-19 have been reported. Our shore-based personnel likewise face risk of such exposure, as we maintain offices in areas that have been impacted by the spread of COVID-19.

Measures against COVID-19 in a number of countries have restricted crew rotations on our vessels, which may continue or become more severe. As a result, in 2021, we experienced and may continue to experience disruptions to our normal vessel operations caused by increased deviation time associated with positioning our vessels to countries in which we can undertake a crew rotation in compliance with such measures. We have had and expect to continue to have increased expenses due to incremental fuel consumption and days in which our vessels are unable to earn revenue in order to deviate to certain ports on which we would ordinarily not call during a typical voyage. We may also incur additional expenses associated with testing, personal protective equipment, quarantines, and travel expenses such as airfare costs in order to perform crew rotations in the current environment. In 2021, delays in crew rotations have also caused us to incur additional costs related to crew bonuses paid to retain the existing crew members on board and may continue to do so.

Moreover, COVID-19 and governmental and other measures related to it have led to a highly difficult environment in which to acquire and dispose of vessels given difficulty to physically inspect vessels. The impact of COVID-19 has also resulted in reduced industrial activity globally, and more specifically, in China with temporary closures of factories and other facilities, labor shortages and restrictions on travel.

This and future epidemics may affect personnel operating payment systems through which we receive revenues from the chartering of our vessels or pay for our expenses, resulting in delays in payments. We continue to focus on our employees' well-being, whilst making sure that our operations continue uninterrupted and at the same time, adapting to the new ways of

operating. As such employees are encouraged and in certain cases required to operate remotely which significantly increases the risk of cyber security attacks.

The occurrence or continued occurrence of any of the foregoing events or other epidemics or an increase in the severity or duration of the COVID-19 or other epidemics could have a material adverse effect on our business, results of operations, cash flows, financial condition, value of our vessels and ability to pay dividends.

The price of our ordinary shares may be volatile.

The price of our ordinary shares may be volatile and may fluctuate due to factors including:

- our payment of dividends to our shareholders;
- actual or anticipated fluctuations in quarterly and annual results;
- fluctuations in the seaborne transportation industry, including fluctuations in the LNG carrier market;
- mergers and strategic alliances in the shipping industry;
- changes in governmental regulations or maritime self-regulatory organization standards;
- shortfalls in our operating results from levels forecasted by securities analysts;
- announcements concerning us or our competitors;
- the failure of securities analysts to publish research about us, or analysts making changes in their financial estimates;
- general economic conditions;
- terrorist acts;
- business interruptions caused by the COVID-19 pandemic;
- future sales of our shares or other securities;
- investors' perception of us and the LNG shipping industry;
- the general state of the securities market; and
- other developments affecting us, our industry or our competitors.

Securities markets worldwide are experiencing significant price and volume fluctuations, especially due to factors relating to the COVID-19 pandemic. The market price for our ordinary shares is volatile. The trading price of our ordinary shares as of December 31, 2021 was \$23.49 per share and as of March 15, 2022, was \$20.78 per share. This market and share price volatility relating to the effects of COVID-19, as well as general economic, market or political conditions, has and could further reduce the market price of our ordinary shares in spite of our operating performance and could also increase our cost of capital, which could prevent us from accessing debt and equity capital on terms acceptable to us or at all.

While we do not currently, we may conduct a substantial amount of business in China. The legal system in China has inherent uncertainties that could have a material adverse effect on our business, financial condition and results of operations.

The Chinese legal system is based on written statutes and their legal interpretation by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, there is a general lack of internal guidelines or authoritative interpretive guidance and because of the limited number of published cases and their non-binding nature, interpretation and enforcement of these laws and

regulations involve uncertainties. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems.

To the extent our charters, shipbuilding contracts and financing agreements that are governed by English law, if we are required to commence legal proceedings against a customer, a shipbuilder or a lender based in China, we may have difficulties in enforcing any judgment rendered by an English court (or other non-Chinese court) in China.

Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels that are either chartered to Chinese customers or that call to Chinese ports and our vessels that undergo dry-docking, or to which we install scrubbers, at Chinese shipyards, and the financial institutions with whom we have entered into financing agreements, could have a material adverse effect on our business, results of operations and financial condition.

If our vessels call at ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government, the European Union, the United Nations or governmental authorities, it could lead to monetary fines or other penalties and adversely affect our reputation and the market for our ordinary shares and its trading price.

None of our vessels called on ports located in countries or territories that are the subject of country-wide or territory-wide sanctions or embargoes imposed by the U.S. government or other applicable governmental authorities (“Sanctioned Jurisdictions”) in 2021 in violation of applicable sanctions or embargo laws. Although we intend to maintain compliance with all sanctions and embargo laws during 2021, and we endeavor to take precautions reasonably designed to mitigate such risks, it is possible that, in the future, our vessels may call on ports located in Sanctioned Jurisdictions on charterers’ instructions and/or without our consent. If such activities result in a violation of sanctions or embargo laws, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our ordinary shares could be adversely affected.

The applicable sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or expanded over time. Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions or embargoes imposed by the United States, EU, and/or other international bodies. If we determine that such sanctions require us to terminate existing or future contracts to which we, or our subsidiaries, are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected, or we may suffer reputational harm.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations in 2021, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries or territories identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our ordinary shares may adversely affect the price at which our ordinary shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities that are not controlled by the governments of countries or territories that are the subject of certain U.S. sanctions or embargo laws, or engaging in operations associated with those countries or territories pursuant to contracts with third parties that are unrelated to those countries or territories or entities controlled by their governments. Investor perception of the value of our ordinary shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in countries or territories that we operate in.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.

A classification society authorized by the country of registry of a commercial vessel must certify such vessel as being "in class" and safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or "the Rules," which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies (e.g., American Bureau of Shipping., Lloyd's Register of Shipping or DNV GL).

Additionally a vessel must undergo annual surveys, intermediate surveys, dry-dockings or special surveys. Alternatively, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection.

Every vessel is also required to be dry-docked every five years for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

The LNG shipping industry is subject to substantial environmental and other regulations, which may significantly limit our operations or increase our expenses.

Our operations are materially affected by extensive and changing international, national, state and local environmental laws, regulations, treaties, conventions and standards which are in force in international waters, or in the jurisdictional waters of the countries in which our ships operate and in the countries in which our ships are registered. These requirements include those relating to equipping and operating ships, providing security and minimizing or addressing impacts on the environment from ship operations. We may incur substantial costs in complying with these requirements, including costs for ship modifications and changes in operating procedures. We also could incur substantial costs, including clean-up costs, civil and criminal penalties and sanctions, the suspension or termination of operations and third-party claims as a result of violations of, or liabilities under, such laws and regulations.

In addition, these requirements can affect the resale value or useful lives of our ships, require a reduction in cargo capacity, necessitate ship modifications or operational changes or restrictions or lead to decreased availability of insurance coverage for environmental matters. They could further result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. We are required to obtain governmental approvals and permits to operate our ships. Delays in obtaining such governmental approvals may increase our expenses, and the terms and conditions of such approvals could materially and adversely affect our operations.

Additional laws and regulations may be adopted that could limit our ability to do business or increase our operating costs, which could materially and adversely affect our business. For example, new or amended legislation relating to ship recycling, sewage systems, emission control (including emissions of greenhouse gases and other pollutants) as well as ballast water treatment and ballast water handling may be adopted. The United States has recently enacted ballast water management system legislation and regulations that require more stringent controls of air and water emissions from ocean-going ships. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our ships' compliance with international and/or national regulations. We also may become subject to additional laws and regulations if we enter new markets or trades.

We also believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements, as well as greater inspection and safety requirements on all LNG carriers in the marine transportation market. These requirements are likely to add incremental costs to our operations, and the failure to comply with these requirements may affect the ability of our ships to obtain and, possibly, recover from, insurance policies or to obtain the required certificates for entry into the different ports where we operate.

Some environmental laws and regulations, such as the U.S. Oil Pollution Act of 1990, or "OPA", provide for potentially unlimited joint, several and strict liability for owners, operators and demise or bareboat charterers for oil pollution and related damages. OPA applies to discharges of any oil from a ship in U.S. waters, including discharges of fuel and lubricants from an LNG carrier, even if the ships do not carry oil as cargo. In addition, many states in the United States bordering a navigable waterway have enacted legislation providing for potentially unlimited strict liability without regard to fault for the discharge of pollutants within their waters. We also are subject to other laws and conventions outside the United States that provide for an owner or operator of LNG carriers to bear strict liability for pollution, such as the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000, or the CLC.

Some of these laws and conventions, including OPA and the CLC, may include limitations on liability. However, the limitations may not be applicable in certain circumstances, such as where a spill is caused by a ship owner's or operator's intentional or reckless conduct. These limitations are also subject to periodic updates and may otherwise be amended in the future.

Compliance with OPA and other environmental laws and regulations also may result in ship owners and operators incurring increased costs for additional maintenance and inspection requirements, the development of contingency arrangements for potential spills, obtaining mandated insurance coverage and meeting financial responsibility requirements.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

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. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. More specifically, on October 27, 2016, the IMO's Marine Environment Protection Committee (the "MEPC"), announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of January 1, 2020. Since January 1, 2020, ships must either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Maritime shipping will also be included in the Emission Trading Scheme (the "ETS") as of 2023 with a phase-in period. It is expected that shipowners will need to purchase and surrender a number of emission allowances that represent their Measurement Recording and Verification-recorded carbon emission exposure for a specific reporting period. The person or organization responsible for the compliance with the EU ETS should be the shipping company, defined as the shipowner or any other organization or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner. Compliance with the Maritime EU ETS will result in additional compliance and administration costs to properly incorporate the provisions of the Directive into our business routines. Additional EU regulations which are part of the EU's Fit-for-55, could also affect our financial position in terms of compliance and administration costs when they take effect.

Territorial taxonomy regulations in geographies where we are operating and are regulatorily liable, such as EU Taxonomy, might jeopardize the level of access to capital. For example, EU has already introduced a set of criteria for economic activities which should be framed as 'green', called EU Taxonomy. As long as we are an EU-based company meeting the NFRD prerequisites, we will be eligible for reporting our Taxonomy eligibility and alignment. Based on the current version of the Regulation, companies that own assets shipping fossil fuels are considered as not aligned with EU Taxonomy. The outcome of such provision might be either an increase in the cost of capital and/or gradually reduced access to financing as a result of financial institutions' compliance with EU Taxonomy.

Since January 1, 2020, ships must either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply

network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, or the Paris Agreement (discussed further below), a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change affects the propulsion options in subsequent vessel designs and could increase our costs related to acquiring new vessels, operating and maintaining our existing vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

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 our 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 use of alternative energy sources. In addition, the physical effects of climate change, including changes in weather patterns, extreme weather events, rising sea levels, scarcity of water resources, may negatively impact our operations. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the IMO's International Safety Management Code (the "ISM Code"). The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability, or may invalidate existing insurance or decrease available insurance coverage for our affected vessels, and such failure may result in a denial of access to, or detention in, certain ports. The USCG and European Union authorities enforce compliance with the ISM and International Ship and Port Facility Security Code (the "ISPS Code") and prohibit non-compliant vessels from trading in U.S. and European Union ports. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position. Given that the IMO continues to review and introduce new regulations, it is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, and financial assurances with respect to our operations.

Please see "Item 4. Information on the Company - B. Business Overview - Environmental and Other Regulations in the Shipping Industry" for a discussion of the environmental and other regulations applicable to us.

Safety, environmental and other governmental and other requirements expose us to liability, and compliance with current and future regulations could require significant additional expenditures, which could have a material adverse effect on our business and financial results.

Our operations are affected by extensive and changing international, national, state and local laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictions in which our LNG vessels operate, and the country or countries in which such vessels are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, and water discharges and ballast and bilge water management. These regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard, or the USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Water Act, the U.S. Maritime Transportation Security Act of 2002, and regulations of the International Maritime Organization, or IMO, including the International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Convention for the Prevention of Pollution from Ships of 1973, or MARPOL, including the designation thereunder of Emission Control Areas, or

ECAs, the International Convention on Civil Liability for Oil Pollution Damage of 1969, or CLC, and the International Convention on Load Lines of 1966. In particular, IMO's MEPC 73, amendments to Annex VI prohibiting the carriage of bunkers above 0.5% sulfur on ships took effect March 1, 2020 and may cause us to incur substantial costs. Compliance with these regulations could have a material adverse effect our business and financial results.

In addition, vessel classification societies and the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, also impose significant safety and other requirements on our vessels. In complying with current and future environmental requirements, vessel owners and operators may also incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditures on our vessels to keep them in compliance, or even to recycle or sell certain vessels altogether.

Many of these requirements are designed to reduce the risk of oil spills and other pollution, and our compliance with these requirements can be costly. These requirements can also affect the resale value or useful lives of our vessels, require reductions in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports.

Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, natural resource damages and third-party claims for personal injury or property damages, in the event that there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our current or historic operations. We could also incur substantial penalties, fines and other civil or criminal sanctions, including in certain instances seizure or detention of our vessels, as a result of violations of or liabilities under environmental laws, regulations and other requirements. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. For example, OPA affects all vessel owners shipping oil to, from or within the United States. Under OPA, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200 nautical mile exclusive economic zone around the United States. Similarly, the CLC, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA. Coastal states in the United States have enacted pollution prevention liability and response laws, many providing for unlimited liability. Furthermore, the 2010 explosion of the drilling rig Deepwater Horizon, which is unrelated to the Company, and the subsequent release of oil into the Gulf of Mexico, or other events, has resulted in increased, and may result in further, regulation of the shipping and offshore industries and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, and could harm our reputation with current or potential charterers of our vessels. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and available cash.

Regulations relating to ballast water discharge may adversely affect our revenues and profitability.

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention, or IOPP renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards upon delivery. All our vessels comply with the updated guideline.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit, or VGP, program and U.S. National Invasive Species Act, or NISA, are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act, or VIDA, which was signed into law on December 4, 2018, requires that the, U.S. Environmental Protection Agency, or EPA develop national standards of performance for approximately 30 discharges,

similar to those found in the VGP within two years. On October 26, 2020, the EPA published a Notice of Proposed Rulemaking for Vessel Incidental Discharge National Standards of Performance under VIDA. By approximately 2022, the U.S. Coast Guard, or USCG, must develop corresponding implementation, compliance and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs.

Maritime claimants could arrest or attach one or more of our vessels, which could interrupt our customers' or our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by "arresting" or "attaching" a vessel through judicial or foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt the cash flow of the charterer and/or our cash flow and require us to pay a significant amount of money to have the arrest lifted, which would have an adverse effect on our financial condition and results of operations.

In addition, in jurisdictions where the "sister ship" theory of liability applies, such as South Africa, a claimant may arrest the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims may be asserted against us or any of our vessels for liabilities of other vessels that we own.

Governments could requisition our vessels during a period of war or emergency resulting in a loss of earnings.

A government of a vessel's registry could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Such government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance ("ESG") policies may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Companies which do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage, costs related to litigation, and the business, financial condition, and/or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us, especially given the highly focused and specific trade of LNG transportation in which we are engaged. Such ESG corporate transformation calls for an increased resource allocation to serve the necessary changes in that sector, increasing costs and capital expenditure. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude LNG shipping companies, such as us, from their investing portfolios altogether due to environmental, social and governance factors. These limitations in both the debt and equity capital markets may affect our ability to grow as our plans for growth may include accessing the equity and debt capital markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

Technological innovation and quality and efficiency requirements from our customers could reduce our charterhire income and the value of our vessels.

Our customers, in particular those in the oil industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. We face competition from companies with more modern vessels with more fuel efficient designs than our vessels, and if new LNG carriers are built that are more efficient or more flexible or have longer physical lives than the current eco vessels, competition from the current eco vessels and any more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels and the resale value of our vessels could significantly decrease. Similarly, technologically advanced vessels are needed to comply with environmental laws the investment in which along with the foregoing could have a material adverse effect on our results of operations, charterhire payments and resale value of vessels. This could have an adverse effect on our results of operations, cash flows, financial condition, and ability to pay dividends.

Risks Related to Our Business

The market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.

The fair market values of LNG vessels, including our vessels, have generally experienced high volatility and may decline in the future. The fair market value of our vessels may increase and decrease depending on but not limited to the following factors:

- general economic and market conditions affecting the shipping industry;
- the balance between the supply of and demand for ships of a certain type;
- competition from other shipping companies;
- the availability of ships of the required size and design;
- the availability of other modes of transportations;
- cost of newbuildings;
- shipyard capacity;
- governmental or other regulations;
- changes in environmental and other regulations that may limit the useful lives of vessels;
- distressed asset sales, including newbuilding contract sales below acquisition costs due to lack of financing;
- types, sizes and ages of vessels;
- prevailing level of charter rates;
- the need to upgrade secondhand and previously owned vessels as a result of charterer requirements; and
- technological advances in vessel design or equipment or otherwise.

During the period a vessel is subject to a charter, we might not be permitted to sell it to take advantage of increases in vessel values without the charterer's consent. If we sell a vessel at a time when ship prices have fallen, the sale may be at less

than the vessel's carrying amount in our financial statements, with the result that we could incur a loss and a reduction in earnings. The carrying values of our owned and leased vessels are reviewed quarterly or whenever events or changes in circumstances indicate that the carrying amount of the vessel may no longer be recoverable. We assess recoverability of the carrying value by estimating the future net cash flows expected to result from the vessel, including eventual disposal for owned vessels. If the future net undiscounted cash flows and the estimated fair market value of the vessel are less than the carrying value, an impairment loss is recorded equal to the difference between the vessel's carrying value and fair value. Any impairment charges incurred as a result of declines in charter rates and other market deterioration could negatively affect our business, financial condition or operating results or the trading price of our ordinary shares.

In addition, if we determine at any time that a vessel's future useful life and earnings require us to impair its value in our financial statements, this would result in a charge against our earnings and a reduction of our shareholders' equity. If the fair market values of our vessels decline, we may not be in compliance with certain covenants contained in our secured credit facilities, which may result in an event of default. In such circumstances, we may not be able to refinance our debt or obtain additional financing acceptable to us or at all. Further, if we are not able to comply with the covenants in our secured credit facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

We may require additional capital in the future, which may not be available on favorable terms, or at all.

Depending on many factors, including market developments, our future earnings, value of our assets and expenditures for any new projects, we may need additional funds. We cannot guarantee that we will be able to obtain additional financing at all or on terms acceptable to us. If adequate funds are not available, we may have to reduce expenditures for investments in new and existing projects, which could hinder our growth, prevent us from realizing potential revenues from prior investments and have a negative impact on our cash flows and results of operations.

We are highly leveraged, which could significantly limit our ability to execute our business strategy and has increase the risk of default under our debt obligations.

As of December 31, 2021, we had approximately \$1,633.4 million of net outstanding indebtedness under our credit facilities and debt securities. We cannot assure you that we will be able to generate cash flow in amounts that is sufficient to satisfy these obligations. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. In addition, debt service payments under our credit facilities may limit funds otherwise available for working capital, capital expenditures, payment of cash distributions and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

Our credit facilities impose operating and financial restrictions on us that limit our ability or the ability of our subsidiaries party thereto, as applicable, to:

- pay dividends, if any, and make capital expenditures, if there is an event of default under our credit facilities;
- incur additional indebtedness, including the issuance of guarantees, or refinance or prepay any new indebtedness, unless certain conditions exist;
- create liens on our assets, unless otherwise permitted under our credit facilities;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- acquire new or sell our vessels, unless certain conditions exist;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

In addition, our loan agreements, which are secured by liens on our vessels, contain various financial covenants. Among those covenants are requirements that relate to our financial position, operating performance and liquidity. For example, there are financial covenants that require us to maintain (i) an equity ratio fixing a minimum value of book equity, (ii) minimum levels of free cash, (iii) positive working capital, and (iv) collateral maintenance test, ensuring that the aggregate value of the vessels making up the facility in question exceeds the aggregate value of the debt commitment outstanding.

Our ability to comply with the covenants and restrictions contained in our current or future credit facilities may be affected by events beyond our control, including prevailing economic, financial and industry conditions, interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. For example, the market value of LNG vessels is likewise sensitive to, among other things, changes in the LNG market, with vessel values deteriorating in times when charter rates for LNG vessels are falling or anticipated to fall and improving when charter rates are rising or anticipated to rise. Such conditions may result in us not being in compliance with our loan covenants. In such a situation, unless our lenders are willing to provide further waivers of covenant compliance or modifications to our covenants, or would be willing to refinance our indebtedness, we may have to sell vessels in our fleet and/or seek to raise additional capital in the equity markets in order to comply with our loan covenants. Furthermore, if the value of our vessels deteriorates significantly, we may have to record an impairment adjustment in our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital. The fair market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.

If we are not in compliance with our covenants and are not able to obtain covenant waivers or modifications, our lenders could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, or they could accelerate our indebtedness, any of which would impair our ability to continue to conduct our business. If our indebtedness is accelerated, we might not be able to refinance our debt or obtain additional financing and could lose our vessels if our lenders foreclose on their liens. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan agreements.

Furthermore, certain of our credit facilities contain a cross-default provision that may be triggered by a default under one of our other credit facilities. A cross-default provision means that a default on one loan would result in a default on certain of our other loans. Because of the presence of cross-default provisions in certain of our credit facilities, the refusal of any one lender under our credit facilities to grant or extend a waiver could result in certain of our indebtedness being accelerated, even if our other lenders under our credit facilities have waived covenant defaults under the respective agreements. If our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels and other assets securing our credit facilities if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

Our operating fleet consists of thirteen LNG vessels from which we derive all of our revenue and cash flow. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition.

Our operating fleet consists of thirteen LNG carriers. Although some of our time charter agreements have fixed terms, they may be terminated early due to certain events, such as a charterer's failure to make charter payments to us because of financial inability, disagreements with us or otherwise. The ability of each of our counterparties to perform its obligations under a charter with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG shipping industry, prevailing prices for natural gas and the overall financial condition of the counterparty. Should a counterparty fail to honor its obligations under an agreement with us, we may be unable to realize revenue under that charter and could sustain losses, which could have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends to our shareholders, if any.

If any of our vessels are unable to generate revenues as a result of off-hire time, early termination of the applicable time charter or otherwise, our business, and results of operations financial condition could be materially adversely affected.

We currently derive all our revenue and cash flow from a limited number of customers and the loss of any of these customers could cause us to suffer losses or otherwise adversely affect our business.

We have derived, and believe we will continue to derive, all of our revenues from a limited number of customers. For the year ended December 31, 2021, during which we derived our operating revenues from fifteen customers, with our top four customers accounted for 20.8%, 16.6%, 15.3% and 13.4% of our consolidated revenues, equivalent to 66.1% of our consolidated revenues. During this period, no other customer accounted for over 10% of our consolidated revenues.

We employ our Fleet (defined in "Item 4. Information on the Company – A. History and Development of the Company") in both the term and spot markets (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months). All of the charters for our Fleet have fixed terms but may be terminated early due to certain events, including but not limited to the customer's failure to make charter payments to us because of financial inability, disagreements with us or otherwise. The ability of each of our counterparties to perform its respective obligations under a charter with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG shipping industry, prevailing prices for natural gas, the overall financial condition of the counterparty and work stoppages or other labor disturbances, including as a result of the COVID-19 pandemic. Should a counterparty fail to honor its obligations under an agreement with us, we may be unable to realize revenue under that charter and may sustain losses, which may have a material adverse effect on our business, financial condition, cash flows, results of operations and ability to pay distributions to our shareholders (if any).

In addition, in general a customer may exercise its right to terminate its charter if, among other things:

- the vessel suffers a total loss or is damaged beyond repair;
- we default on our obligations under the charter, including prolonged periods of vessel off-hire;
- war or hostilities significantly disrupt the free trade of the vessel;
- the vessel is requisitioned by any governmental authority; or
- a prolonged force majeure event occurs, such as war or political unrest, which prevents the chartering of the vessel.

In addition, the charter payments we receive may be reduced if the vessel does not perform according to certain contractual specifications. For example, charter hire may be reduced if the average vessel speed falls below the speed we have guaranteed or if the amount of fuel consumed to power the vessel exceeds the guaranteed amount.

Furthermore, in depressed market conditions, our customers may no longer need a vessel that is then under charter or may be able to obtain a comparable vessel at lower rates. As a result, customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. If our customers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure may be at lower rates.

If any of our charters are terminated, we may be unable to re-deploy the related vessel on terms as favorable to us as our current charters, or at all. If we are unable to re-deploy a vessel for which the charter has been terminated, we will not receive any revenues from that vessel, and we may be required to pay ongoing expenses necessary to maintain the vessel in proper operating condition. Any of these factors may decrease our revenue and cash flows. Further, the loss of any of our customers, charters or vessels, or a decline in charter hire under any of our charters, could have a material adverse effect on our business, results of operations, financial condition and ability to pay distributions to our shareholders (if any).

We may be unable to successfully compete with other vessel operators for charters, which could adversely affect our results of operations and financial position.

The operation of LNG vessels and transportation of LNG cargoes is extremely competitive. Competition for the transportation of LNG cargoes by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Through our operating subsidiaries, we compete with other vessel owners, and, to a lesser extent, owners of other size vessels. The LNG market is highly fragmented. Due in part to the highly fragmented market, competitors with greater resources could enter the LNG shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher vessel quality than we are able to offer. As a result, we

cannot assure you that we will be successful in finding continued timely employment of our existing vessels, which could adversely affect our results of operations and financial position.

Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.

We operate our LNG vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. The LNG sector is typically stronger in the fall and winter months in anticipation of increased consumption of LNG in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. This seasonality may result in quarter-to-quarter volatility in our revenues and operating results, which could affect our ability to pay dividends, if any, in the future.

A drop in spot market charter rates may provide an incentive for some charterers to default on their charters and the failure of our counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered into various contracts, including charter parties with our customers, which subject us to counterparty risks. The ability of each of the counterparties to perform its obligations under a contract with us or contracts entered into on our behalf will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping sector, the overall financial condition of the counterparty, charter rates received for LNG. Should a counterparty fail to honor its obligations under any such contracts, we could sustain significant losses that could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends, if any.

When we enter into a time charter, charter rates under that charter may be fixed for the term of the charter. Ten of our vessels are currently on fixed rate time charters with longer duration of more than eleven months from the date of this annual report. If the spot charter rates or short-term time charter rates in the LNG shipping industry become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

Our fixed rate time charters may limit our ability to benefit from any improvement in charter rates, and at the same time, our revenues may be adversely affected if we do not successfully employ our vessels on the expiration of our charters.

As of March 15, 2022, ten of our vessels, which are owned, or leased by us, are currently on fixed rate charters with longer duration of more than eleven months from the date of this annual report. Although our fixed rate time charters generally provide more reliable revenues, they also limit the portion of our fleet available for spot market voyages during an upswing in the LNG industry cycle, when spot market voyages might be more profitable. By the same token, we cannot assure you that we will be able to successfully employ our vessels in the future or renew our existing charters at rates sufficient to allow us to operate our business profitably or meet our obligations. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered, and may enter in the future, into various contracts, including charter parties with our customers, financing agreements with our lenders, vessel management, newbuilding contracts, and other agreements with other entities, which subject us to counterparty risks. The ability of each of the counterparties to perform its obligations under a contract with us or contracts entered into on our behalf will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping sector, the overall financial condition of the counterparty, charter rates received for our vessels and the supply and demand for commodities. Should a counterparty fail to honor its obligations under any such contract, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, charterers may have incentive to renegotiate their charters or default on their

obligations under charters. Should a charterer in the future fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure on the spot market or on charters may be at lower rates, depending on the then existing charter rate levels, compared to the rates currently being charged for our vessels. In addition, if the charterer of a vessel in our fleet that is used as collateral under one or more of our financing agreements defaults on its charter obligations to us, such default may constitute an event of default under the relevant financing agreement, which may allow the bank to exercise remedies under the financing agreement. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations, cash flows and compliance with covenants in our financing agreements.

Volatility of LIBOR and potential changes of the use of LIBOR as a benchmark could affect our profitability, earnings and cash flow.

Movements in interest rates could negatively affect our financial performance given that certain of our current financing agreements have, floating interest rates, typically based on LIBOR. The publication of U.S. Dollar LIBOR for the one-week and two-month U.S. Dollar LIBOR tenors ceased on December 31, 2021, and the ICE Benchmark Administration (“IBA”), the administrator of LIBOR, with the support of the United States Federal Reserve and the United Kingdom’s Financial Conduct Authority, announced the publication of all other U.S. Dollar LIBOR tenors will cease on June 30, 2023. The United States Federal Reserve concurrently issued a statement advising banks to cease issuing U.S. Dollar LIBOR instruments after 2021. As such, any new loan agreements we enter into will not use LIBOR as an interest rate, and we will need to transition our existing loan agreements from U.S. Dollar LIBOR to an alternative reference rate prior to June 2023.

In response to the anticipated discontinuation of LIBOR, working groups are converging on alternative reference rates. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR with the Secured Overnight Financing Rate, or “SOFR”. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates. The impact of such a transition from LIBOR to SOFR or other alternative rates could be significant for us.

In order to manage our exposure to interest rate fluctuations under LIBOR, SOFR or any other alternative rate, we have and may from time to time use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position. Interest rate derivatives may also be impacted by the transition from LIBOR to SOFR or other alternative rates.

Our financing agreements contain a provision requiring or permitting us to enter into negotiations with our lenders to agree to an alternative interest rate or an alternative basis for determining the interest rate in anticipation of the cessation of LIBOR. These clauses present significant uncertainties as to how alternative reference rates or alternative bases for determination of rates would be agreed upon, as well as the potential for disputes or litigation with our lenders regarding the appropriateness or comparability to LIBOR of any substitute indices, such as SOFR, and any credit adjustment spread between the two benchmarks. In the absence of an agreement between us and our lenders, most of our financing agreements provide that LIBOR would be replaced with some variation of the lenders’ cost-of-funds rate. The discontinuation of LIBOR presents a number of risks to our business, including volatility in applicable interest rates among our financing agreements, potential increased borrowing costs for future financing agreements or unavailability of or difficulty in attaining financing, which could in turn have an adverse effect on our profitability, earnings and cash flow.

Geveran Trading Co. Ltd ("Geveran") may be able to exercise significant influence over us and may have conflicts of interest with our other shareholders.

As of March 15, 2022, Geveran, a Cyprus-based company, whose shares are indirectly held by two trusts settled by Mr. John Fredriksen for the benefit of his family, own approximately 46.4% of our issued and outstanding ordinary shares. Please see "Item 7. Major Shareholders and Related Party Transactions - A. Major Shareholders." For so long as Geveran owns a significant percentage of our issued and outstanding shares, it may be able to exercise significant influence over us and will be able to strongly influence the outcome of shareholder votes on other matters, including the adoption or amendment of

provisions in our Memorandum of Continuance or Bye-Laws and approval of possible mergers, amalgamations, control transactions and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, amalgamations, consolidation, takeover or other business combination. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our ordinary shares. Geveran may not necessarily act in accordance with the best interests of other shareholders. The interests of Geveran may not coincide with the interests of other holders of our ordinary shares. To the extent that conflicts of interest may arise, Geveran may vote in a manner adverse to us or to you or other holders of our securities.

Certain of our directors, executive officers and major shareholders may have interests that are different from the interests of our other shareholders.

Certain of our directors, executive officers and major shareholders may have interests that are different from, or are in addition to, the interests of our other shareholders.

These directors, including Mr. Lorentzon, also serve on the boards of one or more entities in which Geveran or entities related to Geveran are major shareholders, including but not limited to, Golden Ocean Group Limited (NASDAQ:GOGL) and Frontline Ltd. (NYSE:FRO). There may be real or apparent conflicts of interest with respect to matters affecting Geveran or entities related to Geveran that in certain circumstances may be adverse to our interests.

Geveran, our largest shareholder, whose shares are indirectly held by two trusts settled by Mr. John Fredriksen for the benefit of his family, own approximately 46.4% of our issued and outstanding ordinary shares. To the extent that we do business with or compete with Geveran or entities related to Geveran for business opportunities, prospects or financial resources, or participate in ventures in which Geveran or entities related to Geveran may participate, these directors and officers may face actual or apparent conflicts of interest in connection with decisions that could have different implications for us. These decisions may relate to corporate opportunities, corporate strategies, potential acquisitions of businesses, newbuilding acquisitions, inter-company agreements, the issuance or disposition of securities, the election of new or additional directors and other matters. Such potential conflicts may delay or limit the opportunities available to us, and it is possible that conflicts may be resolved in a manner adverse to us or result in agreements that are less favorable to us than terms that would be obtained in arm's-length negotiations with unaffiliated third-parties.

We may not be able to implement our strategy successfully.

Subject to the covenants in our financing agreements and other contractual restrictions, Our long-term intention is to renew and grow our fleet through selective acquisitions and newbuilding of LNG tonnage. Our business plan will therefore depend upon our ability to identify and acquire suitable vessels to grow our fleet in the future and successfully employ our vessels.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel and managing relationships with customers and suppliers. In addition, competition from other companies, many of which may have significantly greater financial resources than us, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to establish and grow our business or that we will not incur significant expenses and losses in connection with these plans. Our failure to effectively identify, purchase, develop and integrate any vessels could impede our ability to establish our operations or implement our growth successfully. Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as cost savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired, particularly if any vessel we acquire proves not to be in good condition;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur debt to finance acquisitions; or

- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Operational risks and damage to our vessels could adversely impact our performance.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy, labor strikes, boycotts, and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting. Epidemics and other public health incidents may also lead to crew member illness, which can disrupt the operations of our vessels, or to public health measures, which may prevent our vessels from calling on ports or discharging cargo in the affected areas or in other locations after having visited the affected areas. Please also see "Our financial results and operations have been and may continue to be adversely affected by the outbreak of COVID-19, and related governmental responses thereto."

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located relative to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant dry-docking facilities may adversely affect our business and financial condition.

Further, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss, which could negatively impact our business, financial condition, results of operations and cash flows.

We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations, including on our vessels. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The safety and security of our vessels and efficient operation of our business, including processing, transmitting and storing electronic and financial information, depend on computer hardware and software systems, which are increasingly vulnerable to security breaches and other disruptions. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

Our vessels rely on information systems for a significant part of their operations, including navigation, provision of services, propulsion, machinery management, power control, communications and cargo management. We have in place safety and security measures on our vessels and onshore operations to secure our vessels against cyber-security attacks and any disruption to their information systems. However, these measures and technology may not adequately prevent security breaches despite our continuous efforts to upgrade and address the latest known threats, which are constantly evolving and have become increasingly sophisticated. If these threats are not recognized or detected until they have been launched, we may be unable to anticipate these threats and may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience. A disruption to the information system of any of our vessels could lead to, among other things, incorrect routing, collision, grounding and propulsion failure.

Beyond our vessels, we rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. The technology and other controls and processes designed to secure our confidential and proprietary information, detect and remedy any unauthorized access to that information were designed to obtain reasonable, but not absolute, assurance that such information is secure and that any unauthorized access is identified and addressed appropriately. Such controls may in the future fail to prevent or detect, unauthorized access to our confidential and proprietary information. In addition, the foregoing events could result in violations of applicable privacy and other laws. If confidential information is inappropriately accessed and used by a third party or an employee for illegal purposes, we may be responsible to the affected individuals for any losses they may have incurred as a result of misappropriation. In such an instance, we may also

be subject to regulatory action, investigation or liable to a governmental authority for fines or penalties associated with a lapse in the integrity and security of our information systems.

We may be required to expend significant capital and other resources to protect against and remedy any potential or existing security breaches and their consequences. A cyber-attack could also lead to litigation, fines, other remedial action, heightened regulatory scrutiny and diminished customer confidence. In addition, our remediation efforts may not be successful and we may not have adequate insurance to cover these losses.

The unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Moreover, cyber-attacks against the Ukrainian government and other countries in the region have been reported in connection with recent conflicts between Russia and Ukraine. To the extent such attacks have collateral effects on global critical infrastructure or financial institutions, such developments could adversely affect our business, operating results, cash flows and financial condition. At this time, it is difficult to assess the likelihood of such threat and any potential impact at this time.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our business.

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Under the U.S. Maritime Transportation Security Act of 2002 (the "MTSA"), the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities. These security procedures can result in delays in the loading, offloading or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the LNG sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

Failure to comply with the U.S. Foreign Corrupt Practices Act and other anti-corruption laws could result in fines, criminal penalties and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, (the "U.S. Foreign Corrupt Practices Act") and other anti-bribery legislation. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices 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 our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management. Though we have implemented monitoring procedures and required policies, guidelines, contractual terms and audits, these measures may not prevent or detect failures by our agents or intermediaries regarding compliance.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, shareholder litigation, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement at the end of a vessel's useful life, our revenue will decline, which would adversely affect our business, results of operations, financial condition and ability to pay dividends.

Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which would cause our business, results of operations, financial condition and ability to pay dividends to be adversely affected. Any funds set aside for vessel replacement will not be available for cash distributions and dividends.

We may not have adequate insurance to compensate us if our vessels are damaged or lost.

In the event of a casualty to a vessel or other catastrophic event, we rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for our fleet against those risks that we believe companies in the shipping industry commonly insure. These insurances include hull and machinery insurance, protection and indemnity insurance, including environmental damage and pollution insurance coverage, and war risk insurance. We can give no assurance that we will be adequately insured against all risks and we cannot guarantee that any particular claim will be paid, even if we have previously recorded a receivable or revenue in respect of such claim. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions, which may increase our costs or lower our revenues.

We cannot assure you that we will be able to obtain adequate insurance coverage for our vessels in the future or renew our existing policies on the same or commercially reasonable terms, or at all. For example, more stringent environmental regulations have in the past led to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies may be subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, if the value of our claim records, the claim records of our fleet managers, and/or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We are a holding company, and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. Our ability to satisfy our financial obligations in the future depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may not be able to satisfy our financial obligations.

We are an "emerging growth company", and we cannot be certain that the reduced disclosure and other requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act, or "JOBS Act", and we may take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Investors may find our ordinary shares and the price of our ordinary shares less attractive because

we rely, or may rely, on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and the price of our ordinary shares may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the date we first sell our common equity securities pursuant to an effective registration statement under the Securities Act, although a variety of circumstances could cause us to lose that status earlier. For as long as we take advantage of the reduced reporting obligations, the information that we provide to shareholders may be different from information provided by other public companies.

Because we are a Bermuda exempted company, our shareholders may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.

Because we are a Bermuda company, the rights of holders of our ordinary shares will be governed by Bermuda law and our memorandum of continuance and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions, including with respect to, among other things, rights related to interested directors, amalgamations, mergers and acquisitions, takeovers, the exculpation and indemnification of directors and shareholder lawsuits.

Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty, except where such losses are the result of fraud or dishonesty. Accordingly, we carry directors' and officers' insurance to protect against such a risk.

In addition, under Bermuda law, the directors of a Bermuda company owe their duties to that company and not to the shareholders. Bermuda law does not, generally, permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company or its directors, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. Moreover, class actions and derivative actions are generally not available to shareholders under Bermuda law. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which shareholders may be more familiar and may substantially limit or prohibit a shareholder's ability to bring suit against our directors or in the name of the company. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

It is also worth noting that under Bermuda law, our directors and officers are required to disclose to our Board of Directors any interests they have in any material contract entered into by our company or any of its subsidiaries. Our directors and officers are also required to disclose their material interests in any corporation or other entity which is party to a material contract with our company or any of its subsidiaries. A director who has disclosed his or her interests in accordance with Bermuda law may participate in any meeting of our Board of Directors, and may vote on the approval of a material contract, notwithstanding that he or she has an interest.

Future issuance of shares or other securities may dilute the holdings of shareholders and could materially affect the price of our ordinary shares.

It is possible that we may in the future decide to offer additional shares or other securities in order to secure financing for new projects, in connection with unanticipated liabilities or expenses or for any other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of our ordinary shares, as well as our earnings per share and our net asset value per share, and any offering by us could have a material adverse effect on the market price of our ordinary shares.

Because our offices and most of our assets are outside the United States, you may not be able to bring suit against us, or enforce a judgment obtained against us in the United States.

Our executive offices, administrative activities and the majority of our assets are located outside the United States. In addition, most of our directors and officers are not United States residents. As a result, it may be more difficult for investors to effect service of process within the United States upon us, or to enforce both in the United States and outside the United States judgments against us in any action, including actions predicated upon the civil liability provisions of the United States federal securities laws.

As an exempted company incorporated under Bermuda law with subsidiaries in a Crown dependency and other offshore jurisdictions, our operations may be subject to economic substance requirements.

The Economic Substance Act 2018 and the Economic Substance Regulations 2018 of Bermuda (the "Economic Substance Act" and the "Economic Substance Regulations", respectively) became operative on December 31, 2018. The Economic Substance Act applies to every registered entity in Bermuda that engages in a relevant activity and requires that every such entity shall maintain a substantial economic presence in Bermuda. A relevant activity for the purposes of the Economic Substance Act is banking business, insurance business, fund management business, financing business, headquarters business, shipping business, distribution and service center business, intellectual property holding business and conducting business as a holding entity.

The Economic Substance Act provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (a) it is directed and managed in Bermuda, (b) its core income-generating activities (as may be prescribed) are undertaken in Bermuda with respect to the relevant activity, (c) it maintains adequate physical presence in Bermuda, (d) it has adequate full time employees in Bermuda with suitable qualifications and (e) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity.

A registered entity that carries on a relevant activity is obliged under the Economic Substance Act to file a declaration in the prescribed form (the "Declaration") with the Registrar of Companies (the "Registrar") on an annual basis.

Certain of our subsidiaries may be organized in other jurisdictions identified by the Code of Conduct Group for Business Taxation of the European Union based on global standards set by the Organization for Economic Co-operation and Development with the objective of preventing low-tax jurisdictions from attracting profits from certain activities. These jurisdictions may have also enacted economic substance laws and regulations which we may be obligated to comply with. If we fail to comply with our obligations under the Economic Substance Act or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials in related jurisdictions and may be struck from the register of companies in Bermuda or such other jurisdiction. Any of these actions could have a material adverse effect on our business, financial condition and results of operations.

Tax Risks

We may have to pay tax on United States source income, which would reduce our earnings.

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We believe that we and each of our subsidiaries qualified for this statutory tax exemption for our taxable year ending on December 31, 2021 and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption for future taxable years and thereby become subject to United States federal income tax on our United States source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year if certain non-qualified shareholders with a 5% or greater interest in our ordinary shares owned, in the aggregate, 50% or more of our outstanding ordinary shares for more than half the days during the taxable year. It is possible that we could be subject to this rule for our taxable year ending on or after December 31, 2022. Due to the factual nature of the issues involved, there can be no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we, or our subsidiaries, could be subject during those years to an effective 2% U.S. federal income tax on the gross shipping income derived during such a year that is attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business. However, the amount of our shipping income that would be subject to this tax has historically not been material.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to United States shareholders.

A foreign corporation will be treated as a "passive foreign investment company" ("PFIC"), for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes cash distributions, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we are or that we have been since the beginning of our 2004 taxable year, or that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from these activities does not constitute "passive income", and the assets that we own and operate in connection with the production of that income do not constitute assets that produce, or are held for the production of, "passive income".

Although there is no direct legal authority under the PFIC rules addressing our method of operation, there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service (the "IRS"), pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under United States Internal Revenue Code of 1986, as amended (the "Code") (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation - U.S. Federal Income Tax Considerations"), such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our ordinary shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our ordinary shares.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

FLEX LNG Ltd. is an exempted company incorporated under the laws of Bermuda. We are a growth-oriented owner and commercial operator of fuel efficient, fifth generation LNG carriers. As of March 15, 2022, we own and operate i) nine M-type, Electronically Controlled, Gas Injection ("MEGI") LNG carriers, of which four have partial re-liquefaction systems installed and three have full re-liquefaction systems installed, and, ii) four Generation X Dual Fuel ("X-DF") LNG carriers, which we collectively refer to as our "Operating Vessels" or our "Fleet". Our business currently focuses on the expansion of our Fleet and execution of our chartering strategy to seek balanced employment for the vessels in our Fleet through actively marketing our vessels in both the term and spot market.

Our registered office is at Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda. Our telephone number at that address is +1 441 295 69 35. Our website is www.flexlng.com. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's internet site is www.sec.gov. None of the information contained on these websites is incorporated into or forms a part of this annual report.

Company Background

FLEX LNG Ltd. was initially incorporated under the laws of the British Virgin Islands in September 2006 and re-domiciled, by way of continuation, into Bermuda in 2017. In July 2017, as part of our strategy to position ourselves for growth, we transferred the listing of our ordinary shares from Oslo Axess to the Oslo Stock Exchange in order to increase our visibility to investors and to facilitate trading liquidity. We conducted no material operations until 2013, at which time we entered into contracts for the construction of two newbuilding LNG carriers, which were delivered to us in 2018. We have since increased our Fleet, which now consists of 13 LNG carriers in operation, as described above.

In June 2019, we effected a cross listing of our ordinary shares on the NYSE. No new shares were offered and sold in connection with the NYSE listing. Our ordinary shares commenced trading on the NYSE under the symbol "FLNG" on June 17, 2019. As a result of our listing on the NYSE, our ordinary shares may be traded on both the OSE and the NYSE. All of our issued and outstanding ordinary shares are identified by CUSIP G35947 202 and ISIN BMG 359472021.

In connection with our fleet expansion, we conducted a series of vessel acquisitions, share issuances and financing transactions, which are further discussed below under "Share Issuances, Share Repurchases and Financing Transactions" and "— B. Business Overview — Our Fleet."

Share Issuances, Share Repurchases and Financing Transactions

In 2014, Geveran increased its ownership in our ordinary shares to 43.3% and became obliged to conduct a mandatory offer for our ordinary shares, which resulted in Geveran owning 82% of our issued and outstanding ordinary shares at that time. As of March 15, 2022, Geveran owns 46.4% of our issued and outstanding ordinary shares.

In April 2019, we, through two of our vessel owning subsidiaries, entered into a \$250 million secured term loan facility, or the \$250 Million Facility, with a syndicate of banks to partially finance the two newbuildings, *Flex Constellation* and *Flex Courageous*. The first \$125 million tranche under the facility was drawn upon the delivery of the *Flex Constellation* in June 2019, and the second \$125 million tranche was drawn upon the delivery of the *Flex Courageous* in August 2019. The facility has a term of five years from delivery of the last vessel and bears interest at LIBOR plus a margin of 2.35% per annum. As of December 31, 2021, the net outstanding balance was \$219.2 million.

In April 2019, we, through two of our vessel owning subsidiaries, entered into sale and time charter agreements for the vessels *Flex Endeavour* and *Flex Enterprise*, or the Hyundai Glovis Sale and Charterback. The transactions closed in July 2019, whereby we sold the vessels to Triple H No. 3 Ltd. and Triple H No. 4 Ltd., respectively, for a gross consideration of \$210.0 million per vessel, with a net consideration of \$150.0 million per vessel adjusted for a non-amortizing and non-interest bearing seller's credit of \$60.0 million per vessel. *Flex Endeavour* and *Flex Enterprise* are chartered back from Hyundai Glovis Co. Ltd. ("Hyundai Glovis") on a time-charter basis to us, through our subsidiaries, for a period of ten years. The agreements include fixed price purchase options, whereby we have options to acquire the vessels during the term of the time-charters. Upon closing of the transactions with Hyundai Glovis, a portion of the proceeds were used to prepay \$194.3 million relating to these vessels under our \$315 Million Term Loan Facility, resulting in net proceeds from the financing agreement with Hyundai

Glovis to the Company of \$102.7 million after fees and expenses. As of December 31, 2021, the net outstanding balance was \$269.5 million.

In July 2019, we, through one of our vessel owning subsidiaries, entered into a \$100 million secured term loan and revolving credit facility agreement, or the \$100 Million Facility, with a syndicate of banks for the refinancing of the *Flex Ranger*, which was financed under the \$315 Million Term Loan Facility. The \$100 Million Facility is split between a \$50 million term loan and a \$50 million revolving facility. The facility was fully drawn in July 2019 and the proceeds were used to prepay the outstanding balance of \$99.8 million relating to the *Flex Ranger* under the existing \$315 Million Term Loan Facility. The facility has a term of five years and bears interest at LIBOR plus a margin of 2.25% per annum. In March 2021, we signed an addendum to the \$100 Million Facility, whereby the revolving tranche under the facility was increased by \$20 million. The \$20 million increase will be non-amortizing and bear interest at LIBOR plus a margin of 2.25% per annum for any drawn amounts. As of December 31, 2021, the revolving facility was fully drawn and the total net outstanding balance under the \$100 Million Facility was \$108.1 million.

In February 2020, we entered into an agreement with a syndicate of banks and the Export-Import Bank of Korea, or KEXIM, for the part financing of the vessels *Flex Aurora*, *Flex Artemis*, *Flex Resolute*, *Flex Freedom* and *Flex Amber* in an amount up to \$629 million, or the \$629 Million Term Loan Facility. The facility is divided into a commercial bank loan of \$250 million, or the Commercial Loan, a KEXIM guaranteed loan of \$189.1 million funded by commercial banks, or the KEXIM Guaranteed Loan, and a KEXIM direct loan of \$189.9 million, or the KEXIM Direct Loan. The amount available for drawdown upon delivery of each vessel is limited to the lower of (i) 65% of the fair market value of the relevant vessel and (ii) \$125.8 million. The facility includes an accordion option of up to \$10 million per vessel subject to acceptable long-term employment and credit approval by the lenders. The Commercial Loan bears interest at LIBOR plus a margin of 2.35% per annum and has a final maturity date being the earlier of (i) 5 years from delivery of the final vessel or (ii) November 30, 2025. The KEXIM Guaranteed Loan and the KEXIM Direct Loan bear interest at LIBOR plus a margin of 1.20% per annum and 2.25% per annum, respectively. The KEXIM Guaranteed Loan has a term of six years from the delivery of each vessel and the KEXIM Direct Loan has a term of 12 years from the delivery of each vessel, provided that these loans will mature at the same time as the Commercial Loan if the Commercial Loan has not been refinanced at terms acceptable to the lenders. In July 2020, the Company drew down \$125.8 million on delivery of *Flex Aurora*, and utilized the accordion option to increase the Commercial Loan relating to the newbuilding *Flex Artemis* by \$10 million. In August 2020, we drew down \$135.8 million on delivery *Flex Artemis* and utilized the option under the facility to replace the newbuilding *Flex Amber* with the sister vessel *Flex Vigilant*, delivered in the second quarter of 2021. In September 2020, we drew down \$125.8 million on delivery of *Flex Resolute*. In end December 2020, the Company drew down \$125.8 million in connection with the delivery of *Flex Freedom*, which was delivered to us January 1, 2021. In May 2021, the Company drew down \$123.3 million on delivery of *Flex Vigilant*. As of December 31, 2021, the net outstanding balance under the facility was \$602.1 million.

In June 2020, we entered into a sale and leaseback transaction with an Asian based leasing house for the newbuilding *Flex Amber*, or the *Flex Amber* Sale and Leaseback. Under the terms of the transaction, the vessel was sold for a gross consideration of \$206.5 million, with a net consideration to the Company of \$156.4 million adjusted for an advance hire of \$50.1 million. The vessel has been chartered back on a bareboat basis for a period of ten years. The agreement includes fixed price purchase options, whereby we have options to re-purchase the vessel at or after the first anniversary of the agreement, and on each anniversary thereafter. At the end of the ten-year lease period, we have an obligation to purchase the vessel for a net purchase price of \$69.5 million. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.20% per annum calculated on the principal outstanding under the lease. The transaction was executed upon delivery of the vessel from the shipyard in October 2020. As of December 31, 2021, the net outstanding balance was \$146.0 million.

In June 2020, we entered into a \$125 million term loan and revolving credit facility with a syndicate of banks, or the \$125 Million Facility, for the financing of the vessel *Flex Volunteer*. The facility is divided into a \$100 million term loan and a \$25 million revolving credit facility. The facility bears interest at LIBOR plus a margin of 2.85% per annum and has a term of five years from delivery of the vessel. The amount available for drawdown upon delivery of the vessel will be limited to the lower of (i) 65% of the fair market value the vessel and (ii) \$125 million. In January 2021, the Company drew down \$100 million under the term loan on delivery of *Flex Volunteer*. Upon closing of the *Flex Volunteer* Sale and Leaseback transaction in the fourth quarter of 2021, further described and defined below, the full amount outstanding under the \$125 Million Facility was prepaid.

In November 2021, we signed a sale and leaseback agreement with an Asian based lease provider for the vessel, *Flex Volunteer*, for a period of ten years (the "*Flex Volunteer* Sale and Leaseback"). Under the terms of the memorandum of agreement and bareboat charter, we sold the vessel for a gross consideration of \$215 million, with a net consideration to us of \$160 million, adjusted the down payment of \$55 million for the ten-year charter period. At the end of the ten-years, we have the right to buy and the lessor has the right to sell the vessel for a consideration of \$80 million. The vessel was chartered back to us on a bareboat basis for a period of ten years with a fixed daily charter rate. The transaction closed in the fourth quarter of 2021 and a portion of the proceeds was used to prepay the outstanding balances under the \$125 Million Facility, which resulted in net proceeds to the Company of \$37.7 million after fees and expenses.

In February 2022, we, through our vessel owning subsidiaries, received credit approved term sheets for a new \$375 million term and revolving loan facility (the "\$375 Million Facility") from a syndicate of banks to refinance existing facilities secured by *Flex Endeavour*, *Flex Ranger* and *Flex Rainbow*. The facility is comprised of a \$125 million term loan facility with a six-year repayment profile and a non-amortizing \$250 million revolving credit facility, resulting in an average age-adjusted repayment profile of 22 years. The facility has an accordion option to add an additional \$125 million of indebtedness by adding an additional vessel as security as nominated by us within 36 months from the closing date of the agreement. The facility has an interest rate of SOFR plus 210 basis points. SOFR is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing LIBOR. The facility is subject to final documentation and customary closing conditions and is expected to be drawn between the second quarter of 2022 and the third quarter of 2022.

In February 2022, we, through our vessel owning subsidiaries, received credit approved term sheets from an Asian based lease provider for an aggregate of \$320 million for two separate sale and bareboat leaseback agreements (the "\$320 Million Sale and Leaseback") to refinance the existing facility secured by *Flex Constellation* and *Flex Courageous*. Under the terms of the two sale and leaseback agreements, the vessels will be sold for gross consideration equivalent to the market value of each vessel and net consideration to us of \$160 million per vessel, adjusted for an advance hire per vessel. The term of each lease is ten years and we have options to repurchase the vessels after three years. At the expiry of the ten-year charter period we have the option to repurchase the vessels for \$66.5 million per vessel reflecting an age adjusted repayment profile of 20 years. The agreement has an interest rate of SOFR plus 250 basis points. The agreement is subject to final documentation and customary closing conditions and is expected to be drawn in the second quarter of 2022.

As of December 31, 2021, we had 17 interest rate swap transactions to reduce the risks associated with fluctuations in interest rates, whereby the floating rate has been swapped to a fixed rate. The total amortized principal of all of our interest rate swaps was \$677.8 million with a weighted average fixed interest rate of 1.17%.

For further information about our financing agreements, see "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources - Our Borrowing Activities."

On November 19, 2020, our Board of Directors authorized a share buy-back program (our "buy-back program") to purchase up to an aggregate of 4,110,584 of our ordinary shares for the purpose of increasing shareholder value with a maximum amount to be paid per share under our buy-back program (a "maximum price") of \$10.00 or the equivalent in NOK if purchased on the OSE. Between February and August 2021, in a series of actions, our Board of Directors authorized the increase in the maximum price that may be paid per ordinary share in our buy-back program from \$10.00 to \$15.00. Our buy-back program commenced on November 19, 2020 and ended on November 19, 2021. Under the buy-back program, we had repurchased an aggregate of 980,000 ordinary shares for an aggregate purchase price of NOK81.5 million, or \$9.4 million, at an average purchase price of NOK83.13, or \$9.64, per share.

On August 16, 2021, the Company issued 585,000 share options to members of executive management. The share options have a five-year term as from September 7, 2021, and a three-year vesting schedule, whereby: 25% will vest after one year; 35% will vest after two years; and 40% will vest after three years. The options have an exercise price of: \$14.00 for those vesting after one year; \$15.60 for those vesting after two years; and \$17.20 for those vesting after three years. The weighted average strike price of the options is \$15.84 per share. The exercise price will be adjusted for any distribution of dividends made before the relevant options expire. As part of the issuance, Øystein Kalleklev, CEO, and Knut Traaholt, CFO, both of Flex LNG Management AS, were allocated 250,000 and 120,000 stock options respectively.

On November 17, 2021, Øystein Kalleklev, CEO of Flex LNG Management AS, exercised 60,000 stock options vested in the period from September 7, 2018 to September 7, 2021. The original strike price was \$14.30 per share but were adjusted to \$12.90 (the "Adjusted Strike Price") pursuant to the terms of the options due to the dividend payments of an aggregate of \$1.40 dividend paid per share since the options were granted. The stock options have been settled in cash based on the difference of the Adjusted Strike Price and the closing price at NYSE on November 17, 2021 which was \$22.78. Following

the exercise of these stock options, Mr. Kalleklev holds 50,000 shares in Flex LNG Ltd. as well as 250,000 stock options that are described above.

For further information about our financing agreements, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities."

Reverse Stock Split

On March 7, 2019, we effected a 1-for-10 reverse stock split of our then-outstanding ordinary shares. The reverse stock split reduced the number of our issued and outstanding ordinary shares from 541,043,903 shares to 54,103,993 shares and affected all issued and outstanding ordinary shares. The number of our authorized ordinary shares was consequently reduced from 100,000,000,000 to 10,000,000,000 and the par value increased from \$0.01 per share to \$0.10 per share. The terms of our ordinary shares were not affected by the reverse stock split. No fractional shares were issued in connection with the reverse stock split. Shareholders of record who would have otherwise been entitled to receive a fractional share as a result of the reverse stock split received a cash payment in lieu thereof. The reverse stock split was completed in order to comply with the initial listing requirements of the NYSE with which we were required to be in compliance in connection with our listing on the NYSE.

B. Business Overview

Our Fleet

The following table sets forth additional information about our Fleet as of March 15, 2022:

Vessel Name	Cargo Capacity (cbm)	Propulsion	Year Built	Shipyard ⁽¹⁾	Charter Expiration ⁽²⁾
<i>Flex Endeavour</i>	173,400	MEGI	2018	DSME	Q1 2025 ⁽³⁾
<i>Flex Enterprise</i>	173,400	MEGI	2018	DSME	Q1 2023 ⁽⁴⁾
<i>Flex Ranger</i>	174,000	MEGI	2018	SHI	Q1 2025 ⁽³⁾
<i>Flex Rainbow</i>	174,000	MEGI	2018	SHI	Q1 2023
<i>Flex Constellation</i>	173,400	MEGI	2019	DSME	Q2 2024 ⁽⁵⁾
<i>Flex Courageous</i>	173,400	MEGI	2019	DSME	Q1 2025 ⁽⁶⁾
<i>Flex Aurora</i>	174,000	X-DF	2020	HSHI	Q1 2026 ⁽⁷⁾
<i>Flex Amber</i>	174,000	X-DF	2020	HSHI	Q4 2022 ⁽⁴⁾
<i>Flex Artemis</i>	173,400	MEGI	2020	DSME	Q3 2025 ⁽⁸⁾
<i>Flex Resolute</i>	173,400	MEGI	2020	DSME	Q1 2025 ⁽⁹⁾
<i>Flex Freedom</i>	173,400	MEGI	2021	DSME	Q1 2027 ⁽¹⁰⁾
<i>Flex Volunteer</i>	174,000	X-DF	2021	HSHI	Spot ⁽¹¹⁾
<i>Flex Vigilant</i>	174,000	X-DF	2021	HSHI	Q1 2025 ⁽³⁾

⁽¹⁾ As used in this annual report, "DSME" means Daewoo Ship building and Marine Engineering Co. Ltd., "SHI" means Samsung Heavy Industries, and "HSHI" means Hyundai Samho Heavy Industries Co. Ltd.

⁽²⁾ The expiration of our charters are generally subject to re-delivery windows ranging from 15 to 45 days before or after the expiration date.

⁽³⁾ The charterer has the option to extend the charters for up to two additional years, in 12-month periods.

⁽⁴⁾ The charterers have the option to extend the charter for an additional 12 months.

⁽⁵⁾ The charterer has the option to extend the charter for up to three additional years, in 12-months periods.

⁽⁶⁾ The charterer has the option to extend the charter for an additional four years, in 24-months periods.

- (7) *Flex Aurora's* existing charter with an international energy major expires in Q3 2022 and the vessel may be nominated as the fourth vessel with Cheniere Marketing International ("Cheniere") which will commence in Q3 2022 and expire in Q1 2026 with a charterer option to extend the charter for up to two additional years.
- (8) The charterer has the option to extend the charter for an additional five years, in 12-month periods.
- (9) The charterer has the option to extend the charter for an additional four years, in 24-month periods.
- (10) The charterer has the option to extend the charter for an additional two years.
- (11) *Flex Volunteer* is currently operating in the spot market and the vessel may be nominated as the fifth vessel with Cheniere, if the charterers declare this option. The charter would commence in Q3 2022 and expire in Q1 2026 with a charterer option to extend the charter for up to two additional years.

Fleet Development

In January 2021, we successfully took delivery of our eleventh newbuilding LNG carrier, *Flex Freedom*, which was constructed at DSME. In connection with the delivery of the vessel, we made a final payment of \$130.5 million to an entity related to Geveran, our largest shareholder. The final payment was part financed with a drawdown of \$125.8 million under the \$629 Million Term Loan Facility (as defined below), the remaining balance was paid with cash on hand.

In January 2021, we successfully took delivery of our twelfth newbuilding LNG carrier, *Flex Volunteer*, which was constructed at HSHI. In connection with the delivery of the vessel, we made a final payment of \$127.5 million to an entity related to Geveran. The final payment was part financed with a drawdown of \$100 million term tranche under the \$125 Million Facility (as defined below) the remaining balance was paid with cash on hand.

In May 2021, we successfully took delivery of our thirteenth newbuilding LNG carrier, *Flex Vigilant*, which was constructed at HSHI. In connection with the delivery of the vessel, we made a final payment of \$127.5 million to an entity related to Geveran. The final payment was part financed with a drawdown of \$123.3 million term tranche under the \$629 Million Term Loan Facility (as defined below) the remaining balance was paid with cash on hand.

For information about our financing agreements which we have entered into in connection with the expansion of our Fleet, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources— Our Borrowing Activities."

Employment of Our Fleet and Our Customers

We manage the employment of our fleet. We deploy our LNG carriers on a mix of period time charters that can last up to several years, and spot market charters (through voyage charters and short-term time charters), which generally last from one to six months, subject to market conditions. Time and bareboat charters are for a fixed period of time. A voyage charter is generally a contract to carry a specific cargo from a loading port to a discharging port for an agreed-upon total charge. Under voyage charters we pay for voyage expenses such as port, canal and fuel costs. Under a time charter the charterer pays for voyage expenses while under a bareboat charter the charterer pays for voyage expenses and operating expenses such as crewing, supplies, maintenance and repairs including special survey and dry-docking costs.

Vessels operating in the spot market generate revenues that are less predictable but may enable us to capture increased profit margins during periods of improvements in LNG charter rates, although we are then exposed to the risk of declining LNG carrier charter rates. Typically, spot market charters can last from a few days up to two months. If we commit vessels to period charters, future spot market rates may be higher or lower than those rates at which we have period chartered our vessels.

In formulating our chartering strategy, we evaluate past, present and future performance of the freight markets and balance the mix of our chartering arrangements in order to achieve optimal results for the fleet. As of March 15, 2022, we have one vessel operating in the spot market, three vessels on time charters expiring in one year and nine vessels on time charters expiring from two to five years. In terms of charter coverage as of March 15, 2022, we had approximately 91% of the available calendar days fixed under period charters for 2022, and approximately 72% for 2023.

According to industry reports, the United States is currently expected to continue to increase its exports of LNG products. In the event this creates more demand for vessels like ours, we would expect to deploy more vessels in the United

States and the Caribbean. As freight rates usually vary between these areas as well as voyage and operating expenses, we evaluate such parameters when positioning our vessels for new employment.

Customers

Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. Principal charterers include producers of LNG products, such as national, major and other independent energy companies and energy traders, and industrial users of those products. For the year ended December 31, 2021, we had four customers accountable for more than 66.1% of our total revenues.

In March 2019, we entered into a time charter agreement with an international energy major for the employment of the vessel *Flex Enterprise*. The time charter had an initial firm period of 12 months, commencing at the end of the first quarter of 2019. The charterer has options to extend the charter period up to an additional four years, in 12-month periods. The first 12-month extension option was declared by the charterer in January 2020, extending the firm period under the time charter to the end of the first quarter of 2021. The second 12-month extension option was declared by the charterer in December 2020, extending the firm period under the time charter to end of the first quarter of 2022. The time charter has elements of a variable rate of hire.

In November 2019, we entered into a long-term time charter with Clearlake for the employment of the *Flex Artemis*. The time charter has a firm period of five years, and the charterer has options to extend the charter period for an additional five years, in 12-month periods. The vessel immediately commenced its long-term time charter with Clearlake upon its delivery in August 2020. The time charter has elements of a variable rate of hire.

In August 2020, the *Flex Aurora* commenced a fixed rate time charter with an international utility company. Following amendments in September 2020, the firm period under the charter has been extended from eight to 11 months, with the charterers' option to extend the period by up to an additional six months, which was declared.

In September 2020, the *Flex Resolute* commenced a fixed rate time charter with an international utility company. The charter has a firm period of 11 months, with the charterers' option to extend the period by up to six months, in 3-month periods, which were both declared.

In October 2020, the *Flex Amber* commenced a time charter with an international energy major. The charter has a firm period of 12 months. In August 2021, an option was declared extending the variable rate time charter by one additional year. The charterer has the option to extend the time charter by one additional year. The time charter has elements of a variable rate of hire.

In January 2020, the *Flex Rainbow* commenced a fixed rate time charter with an international trading house. The charter has a firm period of 12 months, with the charters' option to extend the period by 12 months, which was declared.

In April 2021, we entered into fixed rate time charter agreements with Cheniere for four LNG carriers with the option for a fifth LNG carrier. Under the agreements: *Flex Endeavour* was delivered to Cheniere in April 2021 with a firm period ending in the first quarter of 2025; *Flex Vigilant* was delivered to Cheniere in May 2021 with a firm period ending in the second quarter of 2024; *Flex Ranger* was delivered to Cheniere in August 2021 with a firm period ending in the first quarter of 2025. The fourth vessel will be delivered to Cheniere in the third quarter of 2022, with a firm period expected to be ending in the first quarter of 2026. Cheniere will also have the option to add a fifth vessel during the third quarter of 2022 with a firm period expected to be ending in the first quarter of 2026. Under each time charter agreement, Cheniere has options to extend the charter period for each vessel by up to two additional years. The time charter agreements remain subject to certain customary closing conditions in connection with the delivery and acceptance of the remaining optional vessel.

In May 2021, we entered into a fixed rate time charter agreement with an international trading house for the vessel, *Flex Constellation*. The time charter commenced in May 2021 and has a firm period ending in the second quarter of 2024 with options to extend the term of the charter by up to three years.

In May 2021, we entered into a fixed rate time charter agreement with an LNG portfolio player, for a firm period of a minimum of five years for *Flex Freedom*. The charter commenced in the first quarter of 2022 immediately following the expiration of her existing time charter. The charterer has the option to extend the period by an additional two years.

In November 2021, we entered into fixed rate time charter agreements with minimum firm periods of three years with an international energy major for two LNG carriers, *Flex Resolute* and *Flex Courageous*. Under the agreements, the two vessels

were delivered during the first quarter of 2022 in direct continuation of their existing time charters. The agreements include the options to extend each vessel by up to four additional years in two-year periods.

Management Structure

General Management Agreements

In October 2021, we entered into a service level agreement with a Front Ocean Management AS where they will provide to us certain advisory and support services including human resources, shared office costs, administrative support, IT systems and services, compliance, insurance and legal assistance. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million for these services.

We have entered into a general management agreement with Flex LNG Bermuda Management Limited, our wholly owned subsidiary, for the provision of management services, which primarily include, among others, general administration, contract management, corporate governance assistance, accounting service and operational support. Flex LNG Bermuda Management Limited has, in turn, subcontracted these services from certain of our other subsidiaries, including Flex LNG Management AS and Flex LNG Management Limited. We reimburse Flex LNG Bermuda Management Limited for expenses incurred in connection with providing these services to us, plus a mark-up, which fee is subject to annual review and adjustment. Each of the Company and Flex LNG Bermuda Management Limited may terminate the general management agreement upon twelve months' prior written notice to the other party. In addition, we may terminate the general management agreement with immediate effect upon a breach of the agreement by Flex LNG Bermuda Management Limited that continues for a period of 14 days after the date on which we deliver written notice to Flex LNG Bermuda Management Limited of the breach. The total compensation to Flex LNG Management AS for the year ended December 31, 2021 was \$4.6 million (2020: \$2.1 million). The total compensation to Flex LNG Management Limited for the year end December 31, 2021 was \$1.3 million (2020: \$0.8 million).

We have an administrative services agreement with Frontline Management AS, ("Frontline Management"), a related party, under which they provide us with certain administrative support, technical supervision, purchase of goods and services within the ordinary course of business and other support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. Frontline Management may subcontract these services to other associated companies, including Frontline Management (Bermuda) Limited. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.5 million from Frontline Management and associated companies for these services (2020: \$0.3 million (2019: \$1.0 million)).

We also have a services agreement with Seatankers Management Co. Ltd., or Seatankers, a related party, under which they provide us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. We may terminate the services agreement upon not less than 20 business days' written notice. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million from Seatankers for these services (2020: \$0.3 million (2019: \$0.5 million)).

Technical Management and Support Services

The Company has a ship management agreements with Flex LNG Fleet Management AS, a related party owned by Frontline Ltd., for which they are responsible for the technical ship management for all of our entire fleet. Under the agreements, Flex LNG Fleet Management AS is paid a fixed fee per vessel per annum, which is subject to an annual review. In the year ended December 31, 2021, we recorded an expense, within vessel operating expenses, of \$3.2 million from Flex LNG Fleet Management AS for these services (2020: \$1.8 million (2019: \$0.2 million)). For a description of our technical management and support services, please see "Item 7. Major Shareholders and Related Party Transactions-B. Related Party Transactions-Technical Management and Support Services."

Consultancy Services

The Company has a consultancy agreement with FS Maritime SARL for the employment of our Chief Commercial Officer. The fee is set at a maximum of CHF437,995 per annum and is charged on a pro-rated basis for the time allocation of consultancy services incurred. The contract was terminated in December 2021, and will expire in March 2022. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.3 million from FS Maritime SARL for these services (2020: \$0.2 million).

The Liquefied Natural Gas Industry

This section discusses the industry and markets in which we operate. 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 our knowledge of the markets. Any forecast information and other forward-looking statements in this market summary 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, including those risks described in "Item 3. Key Information—D. Risk Factors."

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 LNG carriers, 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 recent 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 coal-bed 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 LNG carriers (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 -163 °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 Floating Storage Regasification Units ("FSRUs") have also become an important part of the LNG business.

LNG supply and demand

The volume of LNG shipping amounted to approximately 380 million tonnes in 2021 in terms of export volumes. This volume has been subject to large changes, having increased from approximately 114 million tonnes in 2000. Among the factors that have contributed to this growth, are relatively low gas prices, a focus on reduction of air pollution and greenhouse gas emissions, 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.

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.

The LNG carrier Fleet

LNG carriers have been built since 1964. In January 2022, the fleet was made up of approximately 640 LNG carriers (>125,000 cbm) with various cargo and propulsion systems. The orderbook for LNG carriers as of January 2022 for vessels larger than 125,000 cbm stands at approximately 163 vessels. Up to 2010, LNG carriers 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 2006, the first four stroke medium speed diesel electric LNG carriers were delivered, making up the bulk of the current modern tonnage. Starting around 2016, the first LNG carriers with slow speed two stroke engines referred to as MEGI (high pressure) or X-DF (low pressure) were delivered, which were specifically made for ships propelled by gas.

Rate developments

The majority of the LNG carrier 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 LNG carrier fleet that is constructed without contract coverage at the time of ordering. These LNG carriers will typically either serve short-term spot trading or fixed on long term contracts.

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 LNG carriers 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 base 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, particularly in Australia, and the reduced into basin trading. This overhang of tonnage caused freight rates to be depressed. In the more recent period, the market has seen strong growth in LNG production and export capacity, particularly in the US, leading to a more balanced market. Although 20 million tonnes of liquefaction capacity came on stream in 2020, COVID-19 put pressure on energy demand, as lockdown pushed gas prices to historical low levels. This diminished the spread between the major importing and exporting regions, leading to approximately 189 cargo cancellations from the US, which lowered vessel utilization and ultimately freight rates. As Asian gas prices recovered towards the end of 2020 and into 2021 on the back of record cold weather and supply disruptions in the Asian region, freight rates reached historical highs for a short period. In April and March 2021, there was a typical downward seasonal adjustment in the LNG market when both freight and product market fell from all-time high levels at the start of the year. After this period, the spot LNG freight market remained relatively conducive in the summer despite a lack of spot fixtures due to most charterers engaging in long term agreements and re-lets, therefore reducing the demand for spot fixtures. After a relatively static August and September 2021, the spot LNG freight market began to improve towards the end of September with rapidly increasing freight rates, continuing into October through to December 2021, where spot LNG freight market surpassed record levels in the early 2021. As we are heading into summer season, prices have retracted as the weather has moderated towards normal levels.

Environmental and Other Regulations in the Shipping Industry

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly

terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organisation

The International Maritime Organisation, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, took effect on January 1, 2020.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to regulation under the International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk, or the IGC Code, published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. The completely revised and updated IGC Code entered into force in 2016, and the amendments were developed following a comprehensive five-year review and are intended to take into account the latest advances in science and technology. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. We believe that each of our vessels is in compliance with the IGC Code.

In June 2015 the IMO formally adopted the International Code of Safety for Ships using Gases or Low flashpoint Fuels, or the IGF Code, which is designed to minimize the risks involved with ships using low flashpoint fuels- including LNG. The IGF Code will be mandatory under SOLAS through the adopted amendments. The IGF Code and the amendments to SOLAS became effective January 1, 2017.

Our LNG vessels may also become subject to the 2010 HNS Convention, if it is entered into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances, HNS, including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by shipowners and an HNS Fund which comes into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the shipowner up to a maximum of 100 million Special Drawing Rights, or SDR. If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and we cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The MEPC adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Ships are now required to obtain bunker delivery notes and International Air Pollution Prevention, ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships, with the exception of vessels fitted with exhaust gas cleaning equipment ("scrubbers") which can carry fuel of higher sulfur content, were adopted and took effect from March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain Emission Control Areas, or ECAs. As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. In December 2021, the member states of the Convention for the Protection of the Mediterranean Sea Against Pollution ("Barcelona Convention") agreed to support the designation of a new ECA in the Mediterranean. The group plans to submit a formal proposal to the IMO by the end of 2022 with the goal of having the ECA implemented by 2025. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans, or SEEMPS, and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index, or EEDI. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. Additionally, MEPC 75 adopted amendments to MARPOL Annex VI which brings forward the effective date of the EEDI's

“phase 3” requirements from January 1, 2025 to April 1, 2022 for several ship types, including gas carriers, general cargo ships, and LNG carriers.

Additionally, MEPC 75 introduced draft amendments to Annex VI which impose new regulations to reduce greenhouse gas emissions from ships. These amendments introduce requirements to assess and measure the energy efficiency of all ships and set the required attainment values, with the goal of reducing the carbon intensity of international shipping. The requirements include (1) a technical requirement to reduce carbon intensity based on a new Energy Efficiency Existing Ship Index (“EEXI”), and (2) operational carbon intensity reduction requirements, based on a new operational carbon intensity indicator (“CII”). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, in accordance with different values set for ship types and categories. With respect to the CII, the draft amendments would require ships of 5,000 gross tonnage to document and verify their actual annual operational CII achieved against a determined required annual operational CII. Additionally, MEPC 75 proposed draft amendments requiring that, on or before January 1, 2023, all ships above 400 gross tonnage must have an approved SEEMP on board. For ships above 5,000 gross tonnage, the SEEMP would need to include certain mandatory content. MEPC 75 also approved draft amendments to MARPOL Annex I to prohibit the use and carriage for use as fuel of heavy fuel oil (“HFO”) by ships in Arctic waters on and after July 1, 2024. The draft amendments introduced at MEPC 75 were adopted at the MEPC 76 session, to be held on June 2021 and are expected to enter into force on November 1, 2022, with the requirements for EEXI and CII certification coming into effect from January 1, 2023. MEPC 77 adopted a non-binding resolution which urges Member States and ship operators to voluntarily use distillate or other cleaner alternative fuels or methods of propulsion that are safe for ships and could contribute to the reduction of Black Carbon emissions from ships when operating in or near the Arctic.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims, or LLMC, sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that our manager has developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (GBS Standards).

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code, or IMDG Code. Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas. The upcoming amendments, which will come into force on June 1, 2022, include (1) addition of a definition of dosage rate, (2) additions to the list of high consequence dangerous goods, (3) new provisions for medical/clinical waste, (4) addition of various ISO standards for gas cylinders, (5) a new handling code, and (6) changes to stowage and segregation provisions.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, or STCW. As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. By IMO resolution, administrations are encouraged to ensure that cyber-risk management systems are incorporated by ship-owners and managers by their first annual Document of Compliance audit after January 1, 2021. In February 2021, the U.S. Coast Guard published guidance on addressing cyber risks in a vessel's safety management system. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of future regulations is hard to predict at this time.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or BWM Convention, in 2004. The BWM Convention entered into force on September 8, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention, or IOPP renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in

accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial. Additionally, in November 2020, MEPC 75 adopted amendments to the BWM Convention which would require a commissioning test of the ballast water management system for the initial survey or when performing an additional survey for retrofits. This analysis will not apply to ships that already have an installed BWM system certified under the BWM Convention. These amendments are expected to enter into force on June 1, 2022.

Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000 (the "CLC"). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner may be strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's actual fault and under the 1992 Protocol where the spill is caused by the shipowner's intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We have protection and indemnity insurance for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels are in possession of a CLC State issued certificate attesting that the required insurance coverage is in force.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the CLC or the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

In November 2020, MEPC 75 approved draft amendments to the Anti-fouling Convention to prohibit anti-fouling systems containing cybutryne, which would apply to ships from January 1, 2023, or, for ships already bearing such an antifouling system, at the next scheduled renewal of the system after that date, but no later than 60 months following the last application to the ship of such a system. In addition, the IAFS Certificate has been updated to address compliance options for anti-fouling systems to address cybutryne. Ships which are affected by this ban on cybutryne must receive an updated IAFS Certificate no later than two years after the entry into force of these amendments. Ships which are not affected (i.e. with

antifouling systems which do not contain cybutryne) must receive an updated IAFS Certificate at the next Anti-fouling application to the vessel. These amendments were formally adopted at MEPC 76 in June 2021.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

United States Regulations

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 (the "OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 2019, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of \$2,300 per gross ton or \$19,943,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's (the "BSEE") revised Production Safety Systems Rule (the "PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and the former U.S. President Trump had proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. In January 2021, current U.S. President Biden signed an executive order temporarily blocking new leases for oil and gas drilling in federal waters. However attorney generals from 13 states filed suit in March 2021 to lift the executive order, and in June 2021, a federal judge in Louisiana granted a preliminary injunction against the Biden administration, stating that the power to pause offshore oil and gas leases "lies solely with Congress." With these rapid changes, compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

Other United States Environmental Initiatives

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) (the "CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

The U.S. Clean Water Act (the "CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" (the "WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of WOTUS. In 2019 and 2020, the agencies repealed the prior WOTUS Rule and promulgated the Navigable Waters Protection Rule ("NWPR") which significantly reduced the scope and oversight of EPA and the Department of the Army in traditionally non-navigable waterways. On August 30, 2021, a federal district court in Arizona vacated the NWPR and directed the agencies to replace the rule. On December 7, 2021, the EPA and the Department of the Army proposed a rule that would reinstate the pre-2015 definition, which is subject to public comment until February 7, 2022.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to VIDA, which was signed into law on December 4, 2018 and replaces the 2013 VGP program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under NISA, such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under the CWA, requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent (the "NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called "SOx-Emission Control Area"). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

On September 15, 2020, the European Parliament voted to include greenhouse gas emissions from the maritime sector in the European Union's carbon market from 2022. On July 14, 2021, the European Parliament formally proposed its plan, which would involve gradually including the maritime sector from 2023 and phasing the sector in over a three-year period. This will require shipowners to buy permits to cover these emissions. Contingent on negotiations and a formal approval vote, these proposed regulations may not enter into force for another year or two.

International Labour Organization

The International Labour Organization (the "ILO"), is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

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 with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement but on June 1, 2017, former U.S. President Trump announced that the United States intends to withdraw from the Paris Agreement, and the withdrawal became effective on November 4, 2020. On January 20, 2021 U.S. President Biden signed an executive order to rejoin the Paris Agreement, which the U.S. officially rejoined on February 19, 2021.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies "levels of ambition" to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses. At MEPC 77, the Member States agreed to initiate the revision of the Initial IMO Strategy on Reduction of GHG emissions from ships, recognizing the need to strengthen the ambition during the revision process. A final draft Revised IMO GHG Strategy would be considered by MEPC 80 (scheduled to meet in spring 2023), with a view to adoption.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information. As previously discussed, regulations relating to the inclusion of greenhouse gas emissions from the maritime sector in the European Union's carbon market are also forthcoming.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, former U.S. President Trump signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulations for methane emissions. On August 13, 2020, the EPA released rules rolling back standards to control methane and volatile organic compound emissions from new oil and gas facilities. However, U.S. President Biden recently directed the EPA to publish a proposed rule suspending, revising, or rescinding certain of these rules. On November 2, 2021, the EPA issued a proposed rule under the CAA designed to reduce methane emissions from oil and gas sources. The proposed rule would reduce 41 million tons of methane emissions between 2023 and 2035 and cut methane emissions in the oil and gas sector by approximately 74 percent compared to emissions from this sector in 2005. EPA also

anticipates issuing a supplemental proposed rule in 2022 to include additional methane reduction measures following public input and anticipates issuing a final rule by the end of 2022. If these new regulations are finalized, they could affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (the "MTSA"). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facility Security Code (the "ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (the "ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel's hull; a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

Inspection by Classification Societies

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our Operating Vessels are certified as being "in class" by all the applicable Classification Societies (e.g. American Bureau of Shipping, Lloyds Register of Shipping, DNV).

A vessel must undergo annual surveys, intermediate surveys, dry-dockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically

over a five-year period. Every vessel is also required to be dry-docked every 30-36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our financing agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

Marine and War Risks Insurance

We have in force marine hull and machinery and war risks insurance for all of our vessels. Our marine hull and machinery insurance covers risks of particular and general average and actual or constructive total loss from collision, fire, grounding, engine breakdown and other insured named perils up to an agreed amount per vessel. Our war risks insurance covers the risks of particular and general average and actual or constructive total loss from acts of war and civil war, terrorism, piracy, confiscation, seizure, capture, vandalism, sabotage, and other war-related named perils. We have also arranged coverage for increased value for each vessel. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover amounts in excess of those recoverable under the hull and machinery policy in order to compensate for additional costs associated with replacement of the loss of the vessel. Each vessel is covered up to at least its fair market value at the time of the insurance attachment and subject to a fixed deductible per each single accident or occurrence.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. The International Group's website states that the Pool provides a mechanism for sharing all claims in excess of US\$ 10 million up to, currently, approximately US\$ 8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The permits, licenses and certificates that are required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of the vessel. We have obtained all permits, licenses and certificates currently required to permit our vessels to operate. Additional

laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

LNG Safety

LNG shipping is generally safe relative to other forms of commercial marine transportation. In the past forty years, there have been no significant accidents or cargo spillages involving an LNG carrier, even though over 40,000 LNG voyages have been made during that time.

LNG is non-toxic and non-explosive in its liquid state. It only becomes explosive or inflammable when it is heated, vaporized, and in a confined space within a narrow range of concentrations in the air (5% to 15%). The risks and hazards from an LNG spillage vary depending on the size of the spillage, the environmental conditions, and the site at which the spillage occurs.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. The process of obtaining new time charters generally involves intensive screening and competitive bidding, and often extends for several months. LNG carrier time charters are generally awarded based upon a variety of factors relating to the vessel operator, including but not limited to price, customer relationships, operating expertise, professional reputation and size, age and condition of the vessel. We believe that the LNG shipping industry is characterized by the significant time required to develop the operating expertise and professional reputation necessary to obtain and retain charterers.

We expect substantial competition for providing marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. Many of these competitors have significantly greater financial resources and larger and more versatile fleets than we do. We anticipate that an increasing number of marine transportation companies, including many with strong reputations and extensive resources and experience, will enter the LNG transportation market. This increased competition may cause greater price competition for time charters.

Seasonality

Historically, LNG trade, and therefore charter rates, increased in the winter months and eased in the summer months as demand for LNG in the Northern Hemisphere rose in colder weather and fell in warmer weather. The LNG industry in general has become less dependent on the seasonal transport of LNG than a decade ago as new uses for LNG have developed, spreading consumption more evenly over the year. There is a higher seasonal demand during the summer months due to energy requirements for air conditioning in some markets and a pronounced higher seasonal demand during the winter months for heating in other markets.

C. Organizational Structure

FLEX LNG was initially incorporated under the laws of the British Virgin Islands in 2006 and re-domiciled, by way of continuation, into Bermuda in 2017. We operate principally through our wholly-owned subsidiaries, which are incorporated in Bermuda, the United Kingdom, Norway, the Isle of Man and the Marshall Islands. A list of our subsidiaries is filed herewith as Exhibit 8.1.

D. Property, Plants and Equipment

We own no properties other than our vessels. For a description of our fleet, see "Item 4. Information on the Company—B. Business Overview—Our Fleet."

We lease office space in Oslo, Norway from Seatankers Management Norway AS, a related party.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following presentation of management's discussion and analysis of results of operations and financial condition should be read in conjunction with our audited consolidated financial statements, and related notes, and other financial information appearing in "Item 18. Financial Statements." You should also carefully read the following discussion with the sections of this annual report entitled "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview," and "Cautionary Statement Regarding Forward-Looking Statements." This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

The audited consolidated financial statements as of and for the years ended December 31, 2021, 2020 and 2019 have been prepared in accordance with U.S. GAAP. The financial statements are presented in U.S. dollars.

The Company's business could be materially and adversely affected by the risks, or the public perception of the risks related to the COVID-19 pandemic. The Company is unable to reasonably predict the estimated length or severity of the COVID-19 pandemic on future operating results. Please see "Item 3. Key Information—D. Risk Factors—Our financial results and operations may be adversely affected by the ongoing outbreak of COVID-19, and related governmental responses thereto" for further information.

A. Operating Results

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Voyage Operating Revenues. Our time charter revenues are driven primarily by the number of vessels in our fleet, the amount of daily charter hire that our LNG carriers earn under time charters and the number of revenue earning days during which our vessels generate revenues. These factors are, in turn, affected by our decisions relating to vessel acquisitions, the amount of time that our LNG carriers spend dry-docked undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the LNG carrier charter market. Our revenues will also be affected if any of our charterers cancel a time charter or if we agree to renegotiate charter terms during the term of a charter resulting in aggregate revenue reduction. Our time charter arrangements have been contracted in varying rate environments and expire at different times. The Company employs all of its vessels on time charter contracts, which the Company has established to contain a lease since the vessel is a specified asset, the charterer has the right to direct the use of the vessel and there are no substantive substitution rights. All revenue from time charter contracts are recognized as operating leases under ASC 842 *Leases*. We recognize revenues from time charters over the term of the charter as the applicable vessel operates under the charter. Under time charters, revenue is not recognized during days a vessel is off-hire. Revenue is recognized from delivery of the vessel to the charterer, until the end of the time charter period. Under time charters, we are responsible for providing the crewing and other services related to the vessel's operations, the cost of which is included in the daily hire rate, except when off-hire.

Refer to Note 2 in the Financial Statements for additional information related to ASC 842.

Off-hire (Including Commercial Waiting Time). When a vessel is "off-hire"—or not available for service—the charterer generally is not required to pay the time charter hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of a time charter. Our vessels may be out of service, that is, off-hire, for several reasons: scheduled dry-docking or special survey, vessel upgrades, maintenance or inspection, which we refer to as scheduled off-hire; days spent waiting or positioning for a charter, which we refer to as commercial waiting time; and unscheduled repairs, maintenance, operational efficiencies, equipment breakdown, accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, which we refer to as unscheduled off-hire. We have obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage caused by perils that are covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurers will generally pay us the hire rate agreed in the policy in respect of each vessel for each day in excess of 14 days and with a maximum period of 180 days.

Voyage Expenses. Voyage expenses primarily include port and canal charges, bunker (fuel) expenses and agency fees which are paid for by the charterer under our time charter arrangements or by us during periods of off-hire except for commissions, which are always paid for by us. We may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during a period of dry-docking. Voyage expenses can be higher when vessels trade on shorter term charters or in the spot market due to fuel consumption during idling, cool down requirements, commercial waiting time in between charters and positioning and repositioning costs. From time to time, in accordance with industry practice, we pay commissions ranging up to 1.25% of the total daily charter rate under the charters to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter.

Vessel Operating Expenses. Vessel operating expenses include crew wages and related costs, performance claims, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricant costs, statutory and classification expenses, forwarding and communications expenses and other miscellaneous expenses. Vessel operating expenses are paid by the ship-owner under time charters and are recognized as expenses when incurred. We expect that insurance costs, dry-docking and maintenance costs will increase as our vessels age. Factors beyond our control, some of which may affect the shipping industry in general, for instance, developments relating to market premiums for insurance, industry and regulatory requirements and changes in the market price of lubricants due to increases in oil prices, may also cause vessel operating expenses to increase.

Dry-docking. We must periodically dry-dock each of our vessels for inspection, repairs and maintenance and any modifications required to comply with industry certification or governmental requirements. In accordance with industry certification requirements, we have a mandatory obligation to dry-dock our vessels every five years. Special survey and dry-docking costs (consisting of direct costs, including shipyard costs, paints and class renewal expense, and peripheral costs, including spare parts, service engineer attendance) are capitalized and depreciated over the period until the next dry-dock. The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures.

Depreciation. We depreciate the cost of our vessels on the basis of two components: a vessel component and a dry-docking component. We depreciate our LNG carriers on a straight-line basis over their remaining useful economic lives. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of the LNG carriers in our Fleet to be 35 years from their initial delivery from the shipyard, consistent with LNG industry practice. The estimated residual value is based on the steel value of the tonnage for each vessel. The assumptions made reflect our experience, market conditions and the current practice in the LNG industry; however they required more discretion since there is a lack of historical references in scrap prices of similar types of vessels. The dry-docking component of the vessel's cost is depreciated over five years (the period within which each vessel is required to be dry-docked). We capitalize the costs associated with the dry-docking and amortize these costs on a straight-line basis over the period to the next expected dry-docking. We have adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking.

Interest expense. We incur interest expense on outstanding indebtedness under our existing debt agreements which we include in interest expense. Interest expense depends on our overall level of borrowings and may significantly increase when we take delivery of, acquire or refinance ships. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes. We also incur financing and legal costs in connection with establishing debt agreements, which are deferred and amortized to interest and finance costs using the effective interest method. We may incur additional interest expense in the future on our outstanding borrowings and under future borrowings. For a description of our existing credit facilities, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities."

Vessel Useful Lives and Impairment. Vessels are reviewed for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that asset to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals as considered necessary. Since our inception, no impairment loss was recorded in any of our fleet vessels.

Implications of Being an Emerging Growth Company

We had less than \$1.07 billion in revenue during our last fiscal year, which means that we are an "emerging growth company" as defined in the JOBS Act. As an emerging growth company, we may take advantage of specified reduced public company reporting requirements that are otherwise applicable generally to public companies, including:

- an exemption from the auditor attestation requirement of management's assessment of the effectiveness of our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and
- an exemption from compliance with any new requirements adopted by the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and financial statements.

We may choose to take advantage of some or all of these reduced reporting requirements. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of the effectiveness date of our registration statement on Form 20-F, or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than \$1.07 billion in "total annual gross revenues" during our most recently completed fiscal year, if we become a "large accelerated filer" with a public float of more than \$700 million, or as of any date on which we have issued more than \$1 billion in non-convertible debt over the three-year period prior to such date.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may not be compatible to information provided by other public companies. See "Item 3. Key Information—D. Risk Factors—We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors."

Results of Operations

Year ended December 31, 2021 compared with the year ended December 31, 2020

Vessel operating revenues

<i>(in thousands of \$)</i>	2021	2020	Change
Vessel operating revenues	343,448	164,464	178,984

Vessel operating revenues increased to \$343.4 million for the year ended December 31, 2021 compared to \$164.5 million for the year ended December 31, 2020. The increase of \$179.0 million is due to the growth of our Fleet from six to thirteen LNG carriers between July 2020 and May 2021, improved vessel utilization and higher achieved market rates for our vessels, when compared to the year ended December 31, 2020.

Voyage expenses

<i>(in thousands of \$)</i>	2021	2020	Change
Voyage expenses	(3,334)	(3,697)	363

Voyage expenses, which include voyage specific expenses, broker commissions and bunkers consumption, for the year ended December 31, 2021 amounted to \$3.3 million, compared to \$3.7 million for the year ended December 31, 2020.

Vessel operating expenses

<i>(in thousands of \$)</i>	2021	2020	Change
Vessel operating expenses	(61,237)	(36,999)	(24,238)

Vessel operating expenses, including claim expense and technical operating expenses (such as crewing, insurance, lubes and repairs & maintenance) for the year ended December 31, 2021 amounted to \$61.2 million compared to \$37.0 million for the year ended December 31, 2020. The increase of \$24.2 million is due to the increase in our Fleet from six to thirteen LNG carriers between the period of July 2020 and May 2021.

Administrative expenses

<i>(in thousands of \$)</i>	2021	2020	Change
Administrative Expenses	(7,887)	(6,302)	(1,585)

Administrative expenses increased by \$1.6 million to \$7.9 million for the year ended December 31, 2021 (2020: \$6.3 million). The increase is due to the increase in our administrative function with additional staff members as well as an increase in directors and officers insurance and performance bonuses paid to staff in 2021.

Depreciation

<i>(in thousands of \$)</i>	2021	2020	Change
Depreciation	(69,833)	(41,846)	(27,987)

Depreciation expense for the year ended December 31, 2021 was \$69.8 million, compared to \$41.8 million for the year ended December 31, 2020. The increase in depreciation is due to the increase in our Fleet from six to thirteen LNG carriers between the period of July 2020 and May 2021.

Interest income

<i>(in thousands of \$)</i>	2021	2020	Change
Interest income	41	327	(286)

Interest income was \$0.0 million for the year ended December 31, 2021 compared to \$0.3 million for the year ended December 31, 2020.

Interest expense

<i>(in thousands of \$)</i>	2021	2020	Change
Interest expense	(56,221)	(41,805)	(14,416)

Interest expense was \$56.2 million for the year ended December 31, 2021 compared to \$41.8 million for the year ended December 31, 2020. The increase in interest expense was due to the increase in debt following the drawdown of \$636.5 million in aggregate under the \$629 Million Facility between July 2020 and May 2021; the drawdown of the \$156.4 million under the Flex Amber Sale and Leaseback in October 2020; and the drawdown of \$100 million under the \$125 Million Facility for Flex Volunteer, in January 2021. The increase in interest expense is offset by lower rates of LIBOR in 2021 compared to 2020 and regular repayments of long term debt of \$72.2m in the year ended 2021.

Write-off of debt issuance costs

<i>(in thousands of \$)</i>	2021	2020	Change
Write-off of debt issuance costs	(1,209)	—	(1,209)

In the year ended December 31, 2021, the Company wrote off \$1.2 million of debt issuance costs, compared to \$0.0 million for the year ended December 31, 2020. The increase was due to the write-off of debt issuance costs in relation to the prepayment of the \$125 Million Facility in December 2021.

Gain/(loss) on derivatives

<i>(in thousands of \$)</i>	2021	2020	Change
Gain/(loss) on derivatives	18,399	(25,182)	43,581

Gain/(loss) on derivatives was \$18.4 million for the year ended December 31, 2021 compared to \$25.2 million for the year ended December 31, 2020. This is due to the positive development in interest rates in the period, resulting in an increase in the fair value of our interest rate swap derivatives.

Other financial items

<i>(in thousands of \$)</i>	2021	2020	Change
Other financial items	137	(771)	908

Other financial items were \$0.1 million for the year ended December 31, 2021 compared to \$0.8 million for the year ended December 31, 2020. This is primarily due to an increase in foreign exchange gains of \$1.0 million, partly offset by other financial charges of 0.1 million.

For the discussion of our operating results in 2020 compared with 2019, we refer to "Item 5. Operating and Financial Review and Prospects - A. Operating Results" included in our annual report on Form 20-F for the year ended December 31, 2020, which was filed with the U.S. Securities and Exchange Commission on March 17, 2021.

B. Liquidity and Capital Resources

Liquidity and Cash Needs

We operate in a capital-intensive industry and have financed the purchase of the vessels and newbuildings in our Fleet through a combination of cash generated from operations, equity capital and borrowings under our financing agreements. Payment of amounts outstanding under our debt agreements, and all other commitments that we have entered into are made from the cash available to us.

Cash

As of December 31, 2021, we reported cash, cash equivalents and restricted cash of \$201.2 million, which represented an increase of \$72.2 million, compared to \$129.0 million as of December 31, 2020.

Working Capital Needs

Working capital is equal to current assets less current liabilities, including the current portion of long-term debt. As of December 31, 2021, we had positive working capital of \$93.3 million, as compared to \$26.0 million as of December 31, 2020.

Our primary liquidity requirements include payment of operating costs, funding working capital requirements, repayment of bank loans, payment of lease obligations and maintaining sufficient cash reserves against fluctuations in operating cash flows and payment of cash distributions. Sources of short-term liquidity include cash balances, revolving credit facilities, restricted cash balances and receipts from customers. We believe that our cash flows from operations, amounts available for borrowing under our financing agreements and our cash balance will be sufficient to meet our existing liquidity requirements for at least the next 12 months from the date of this annual report.

Our Borrowing Activities

Flex Rainbow Sale and Leaseback

In July 2018, we, through our wholly-owned subsidiary, Flex LNG Rainbow Ltd., which owned the *Flex Rainbow*, entered into a sale leaseback transaction for the vessel with a Hong Kong-based lessor for a lease period of ten years. The gross sales price under the lease was \$210 million, of which \$52.5 million represented advance hire for the ten-year lease period. The agreement includes fixed price purchase options, whereby we have options to re-purchase the vessel at or after the second anniversary of the agreement, and on each anniversary thereafter, until the end of the lease period. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.50% per annum calculated on the outstanding under the lease. The facility requires us to provide additional security, by way of a deposit, as necessary to maintain the fair market value of the vessel at not less than a specified percentage of the principal amount outstanding under the lease. As of December 31, 2021, the net outstanding balance under the lease was \$131.1 million (2020: \$138.8 million).

\$250 Million Term Loan Facility

In April 2019, we, through two of our wholly-owned subsidiaries, entered into the \$250 Million Term Loan Facility with a syndicate of banks for the part financing of the two newbuildings, *Flex Constellation* and *Flex Courageous*, which serve as collateral for the facility. The first \$125 million tranche under the facility was drawn upon the delivery of the *Flex Constellation* in June 2019 and the second \$125 million tranche under the facility was drawn upon the delivery of the *Flex Courageous* in August 2019. The facility has a term of five years from delivery of the final vessel and bears interest at LIBOR plus a margin of 2.35% per annum. The facility contains financial covenants (as described below) and requires us to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessels securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility. As of December 31, 2021, the net outstanding balance under the facility was \$219.2 million (2020: \$230.9 million).

Hyundai Glovis Sale and Charterback

In April 2019, we, through two of our wholly owned subsidiaries, entered into sale and time charter agreements for the vessels *Flex Endeavour* and *Flex Enterprise*. The transactions were executed in July 2019, whereby the vessels were sold to Triple H No. 3 Ltd. and Triple H No. 4 Ltd., respectively, for a gross consideration of \$210 million per vessel, with a net consideration of \$150 million per vessel adjusted for a non-amortizing and non-interest bearing seller's credit of \$60 million per vessel. The vessels have been chartered back from Hyundai Glovis on a time-charter basis to us, through our subsidiaries, for a period of ten years. The agreements include fixed price purchase options, whereby we will have annual options to acquire the vessels during the term of the time-charters. The first option is exercisable on the third anniversary of closing of the transactions and the last option at expiry of the ten-year charter period. At the end of the ten-year charter period, Hyundai Glovis will have the right to sell the vessels back to us for a net consideration of \$75 million per vessel, net of the \$60 million seller's credit per vessel. Upon closing of the transactions with Hyundai Glovis, a portion of the proceeds were used to prepay the outstanding aggregate amount of \$194.3 million relating to these vessels under our \$315 Million Term Loan Facility. As of December 31, 2021, the total net outstanding under the leases was \$269.5 million (2020: \$281.3 million).

\$100 Million Facility

In July 2019, we, through one of our vessel owning subsidiaries, entered into the \$100 Million Facility with a syndicate of banks for the refinancing of the *Flex Ranger*, which was financed under the \$315 Million Term Loan Facility. The \$100 Million Facility is split between a \$50 million term loan and a \$50 million revolving facility. The facility was fully drawn in July 2019 and the proceeds were used to prepay the outstanding balance of \$99.8 million relating to the *Flex Ranger* under the existing \$315 Million Term Loan Facility. The facility has a term of five years and bears interest at LIBOR plus a margin of 2.25% per annum. The facility contains financial covenants (as described below) and requires us to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessel securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility. In March 2021, the Company signed an addendum to the facility, whereby the revolving tranche was increased by \$20 million. The \$20 million increase will be non-amortizing and bear interest at LIBOR plus a margin of 2.25% per annum for any drawn amounts. As of December 31, 2021, the revolving facility was fully drawn and the total net outstanding balance under the facility was \$108.1 million (2020: \$93.3 million).

\$629 Million Term Loan Facility

In February 2020, we entered into an agreement with a syndicate of banks and the Export-Import Bank of Korea, or KEXIM, for the part financing of the vessels *Flex Aurora*, *Flex Artemis*, *Flex Resolute*, *Flex Freedom* and *Flex Amber* in an amount up to \$629 million, or the \$629 Million Term Loan Facility. The facility is divided into a commercial bank loan of \$250 million, or the Commercial Loan, a KEXIM guaranteed loan of \$189.1 million funded by commercial banks, or the KEXIM Guaranteed Loan, and a KEXIM direct loan of \$189.9 million, or the KEXIM Direct Loan. The amount available for drawdown upon delivery of each vessel is limited to the lower of (i) 65% of the fair market value of the relevant vessel and (ii) \$125.8 million. The facility includes an accordion option of up to \$10 million per vessel subject to acceptable long-term employment and credit approval by the lenders. The Commercial Loan bears interest at LIBOR plus a margin of 2.35% per annum and has a final maturity date being the earlier of (i) 5 years from delivery of the final vessel or (ii) November 30, 2025. The KEXIM Guaranteed Loan and the KEXIM Direct Loan bear interest at LIBOR plus a margin of 1.20% per annum and 2.25% per annum, respectively. The KEXIM Guaranteed Loan has a term of six years from the delivery of each vessel and the KEXIM Direct Loan has a term of 12 years from the delivery of each vessel, provided that these loans will mature at the same time as the Commercial Loan if the Commercial Loan has not been refinanced at terms acceptable to the lenders. In July 2020, the Company drew down \$125.8 million on delivery of *Flex Aurora*, and utilized the accordion option to increase the Commercial Loan relating to the newbuilding *Flex Artemis* by \$10 million. In August 2020, we drew down \$135.8 million on delivery *Flex Artemis* and utilized the option under the facility to replace the newbuilding *Flex Amber* with the sister vessel *Flex Vigilant*, delivered in the second quarter of 2021. In September 2020, we drew down \$125.8 million on delivery of *Flex Resolute*. In end December 2020, the Company drew down \$125.8 million in connection with the delivery of *Flex Freedom*, which was delivered to us January 1, 2021. In May 2021, the Company drew down \$123.3 million on delivery of *Flex Vigilant*. As of December 31, 2021, the net outstanding balance under the facility was \$602.1 million (2020: \$502.8 million).

Flex Amber Sale and Leaseback

In June 2020, we entered into the *Flex Amber* Sale and Leaseback with an Asian based leasing house. Under the terms of the transaction, the vessel was sold for a gross consideration of \$206.5 million, with a net consideration to the Company of \$156.4 million adjusted for an advance hire of \$50.1 million. The vessel was chartered back on a bareboat basis for a period of ten years. The agreement includes fixed price purchase options, whereby the Company has options to re-purchase the vessel at or after the first anniversary of the agreement, and on each anniversary thereafter. At the end of the ten-year lease period, the Company has an obligation to purchase the vessel for a net purchase price of \$69.5 million. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.20% per annum calculated on the principal outstanding under the lease. The agreement includes financial covenants that require the Company, on a consolidated basis, to maintain: a book equity ratio of minimum 0.25 to 1; a positive working capital; and minimum liquidity, including undrawn credit lines with a remaining term of at least six months, of \$25 million. The transaction was executed upon delivery of the vessel from the shipyard in October 2020. As of December 31, 2021, the net outstanding under the lease was \$146.0 million (2020: \$154.4 million).

\$125 Million Facility

In June 2020, the Company entered into the \$125 Million Facility for the financing of the newbuilding *Flex Volunteer*, which was delivered in January 2021. The facility is divided into a \$100 million term loan and a \$25 million revolving credit facility. The facility bears interest at LIBOR plus a margin of 2.85% per annum and has a term of five years from delivery of the vessel. The amount available for drawdown upon delivery of the vessel will be limited to the lower of (i) 65% of the fair market value the vessel and (ii) \$125 million. The facility contains financial covenants (as described below) and requires us to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessels securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility. In January 2021, the Company drew down the \$100 million term loan under the facility upon delivery of the vessel from the shipyard. As of December 31, 2021, the outstanding balance of \$120.3 million under the \$125 Million Facility agreement was prepaid in full following the execution of the *Flex Volunteer* Sale and Leaseback, further described below.

Flex Volunteer Sale and Leaseback

In November 2021, we signed a sale and leaseback agreement with an Asian based lease provider for the vessel, *Flex Volunteer*, for a period of ten years (the "*Flex Volunteer Sale and Leaseback*"). Under the terms of the memorandum of agreement and bareboat charter, we sold the vessel for a gross consideration of \$215 million, with a net consideration to us of \$160 million, adjusted the down payment of \$55 million for the ten-year charter period. At the end of the ten-years, we have the right to buy and the lessor has the right to sell the vessel for a consideration of \$80 million. The vessel was chartered back to us on a bareboat basis for a period of ten years with a fixed daily charter rate. The transaction closed in the fourth quarter 2021 and a portion of the proceeds was used to prepay the outstanding balances under the \$125 Million Facility. As of December 31, 2021, the net outstanding under the lease was \$157.4 million.

\$375 Million Facility

In February 2022, we, through our vessel owning subsidiaries, received credit approved term sheet for a new \$375 million term and revolving loan facility (the "\$375 Million Facility") from a syndicate of banks to refinance existing facilities secured by *Flex Endeavour*, *Flex Ranger* and *Flex Rainbow*. The facility is comprised of a \$125 million term loan facility with a six year repayment profile and a non-amortizing \$250 million revolving credit facility, resulting in an average age-adjusted repayment profile of 22 years. The facility has an accordion option to add an additional \$125 million of indebtedness by adding an additional vessel as security as nominated by the Company within 36 months from the closing date of the agreement. The facility has an interest rate of SOFR plus 210 basis points. SOFR is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing LIBOR. The facility is subject to final documentation and customary closing conditions and is expected to be drawn between the second quarter of 2022 and the third quarter of 2022.

\$320 Million Sale and Leaseback

In February 2022, we, through our vessel owning subsidiaries, received credit approved term sheets from an Asian based lease provider for an aggregate of \$320 million for two separate sale and bareboat leaseback agreements (the "\$320 Million Sale and Leaseback") to refinance the existing facility secured by *Flex Constellation* and *Flex Courageous*. Under the terms of the two sale and leaseback agreements, the vessels will be sold for gross consideration equivalent to the market value of each vessel and net consideration to us of \$160 million per vessel, adjusted for an advance hire per vessel. The term of each lease is ten years and we have options to repurchase the vessels after three years. At the expiry of the ten-year charter period we have the option to repurchase the vessels for \$66.5 million per vessel reflecting an age adjusted repayment profile of 20 years. The agreement has an interest rate of SOFR plus 250 basis points. The agreement is subject to final documentation and customary closing conditions and is expected to be drawn in the second quarter of 2022.

Loan Covenants

Certain of our financing agreements discussed above, have, among other things, the following financial covenants, as amended or waived, which are tested quarterly, the most stringent of which require us (on a consolidated basis) to maintain:

- a book equity ratio of minimum 0.25 to 1.0;
- a positive working capital; and
- minimum liquidity, including undrawn credit lines with a remaining term of at least six months, being the higher of: (i) \$25 million; and (ii) an amount equal to five percent (5%) of our total interest bearing financial indebtedness net of any cash and cash equivalents.
- collateral maintenance test, ensuring that the aggregate value of the vessels making up the facility in question exceeds the aggregate value of the debt commitment outstanding.

Our financing agreements discussed above have, among other things, restrictive covenants which, to the extent triggered, would restrict our ability to:

- (i) declare, make or pay any dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
- (ii) pay any interest or repay any principal amount (or capitalized interest) on any debt to any of its shareholders;

(iii) redeem, repurchase or repay any of its share capital or resolve to do so; or

(iv) enter into any transaction or arrangement having a similar effect as described in (i) through (iii) above.

Our secured credit facilities may be secured by, among other things:

- a first priority mortgage over the relevant collateralized vessels;
- a first priority assignment of earnings, insurances and charters from the mortgaged vessels for the specific facility;
- a pledge of earnings generated by the mortgaged vessels for the specific facility; and
- a pledge of the equity interests of each vessel owning subsidiary under the specific facility.

A violation of any of the financial covenants contained in our financing agreements described above may constitute an event of default under the relevant financing agreement, which, unless cured within the grace period set forth under the financing agreement, if applicable, or waived or modified by our lenders, provides our lenders, by notice to the borrowers, with the right to, among other things, cancel the commitments immediately, declare that all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding under the agreement, be immediately due and payable, enforce any or all security under the security documents, and/or exercise any or all of the rights, remedies, powers or discretions granted to the facility agent or finance parties under the finance documents or by any applicable law or regulation or otherwise as a consequence of such event of default.

Furthermore, certain of our financing agreements contain a cross-default provision that may be triggered by a default under one of our other financing agreements. A cross-default provision means that a default on one loan would result in a default on certain of our other loans. Because of the presence of cross-default provisions in certain of our financing agreements, the refusal of any one lender under our financing agreements to grant or extend a waiver could result in certain of our indebtedness being accelerated, even if our other lenders under our financing agreements have waived covenant defaults under the respective agreements. If our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels and other assets securing our financing agreements if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

Moreover, in connection with any waivers of or amendments to our financing agreements that we have obtained, or may obtain in the future, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing financing agreements. These restrictions may further restrict our ability to, among other things, pay dividends, make capital expenditures or incur additional indebtedness, including through the issuance of guarantees. In addition, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As of December 31, 2021, we were in compliance with all of the financial covenants contained in our financing agreements.

Our contractual obligations

We have contractual obligations in relation to our borrowing activities. The table below summarizes these contractual obligations as of December 31, 2021.

<i>(In thousands of U.S. dollars)</i>	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations ⁽¹⁾⁽²⁾	1,652,432	85,879	450,319	409,030	707,204
Interest on floating rate debt ⁽³⁾	147,807	22,321	41,396	36,482	47,609
Interest on fixed rate debt	136,572	30,481	52,578	28,754	24,759
Total	1,936,811	138,681	544,293	474,266	779,572

- (1) The loan repayments comprise repayments under the *Flex Rainbow* Sale and Leaseback, the \$100 Million Facility, the \$250 Million Term Loan Facility, the Hyundai Glovis Sale and Charterback, the \$629 Million Term Loan Facility, the *Flex Amber* Sale and Leaseback and the *Flex Volunteer* Sale and Charterback
- (2) The Long-term debt obligation of \$1,652.4 million is gross, before deduction of debt issuance costs of \$19.0 million. Carrying value of long-term debt is \$1,633.4 million.
- (3) Interest on floating rate debt was calculated using the three month USD LIBOR as of December 31, 2021 of approximately 0.21% plus agreed margin and the respective outstanding borrowings as of that date.

Off balance sheet arrangements

As of December 31, 2021, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

Cash flow

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated.

<i>(in thousands of \$)</i>	Year ended December 31,		
	2021	2020	2019
Net cash provided by operating activities	214,844	89,304	51,526
Net cash used in investing activities	(265,934)	(691,393)	(291,542)
Net cash provided by financing activities	123,103	603,321	313,998
Effect of exchange rate changes on cash	195	(1,368)	19
Net increase/(decrease) in cash, cash equivalents and restricted cash	72,208	(136)	74,001
Cash, cash equivalents and restricted cash at beginning of year	128,962	129,098	55,097
Cash, cash equivalents and restricted cash at end of year	201,170	128,962	129,098

Net cash provided by operating activities

Net cash provided by operating activities increased by \$125.5 million to \$214.8 million for the year ended December 31, 2021, compared to cash provided of \$89.3 million in 2020.

Net cash provided by operating activities was primarily impacted by: (i) overall market conditions as reflected by vessel operating revenues of our fleet, (ii) the size and composition of our fleet that we own, lease and charter-in, (iii) changes in operating assets and liabilities including impact of whether our vessels are operated under time charters or voyage charters (iv) increases in interest expense as a result of debt repayments on fixed and floating rate facilities, along with the fluctuations in LIBOR rates:

- i. During the period we had exposure to the spot market. The majority of our ships are on long term fixed rate charter hires, however, a number of vessels were open to the fluctuations of spot market conditions in the 12 months to

December 31, 2021. Any increase or decrease in the average LNG carrier market rates earned by our vessels will have a positive or negative comparative impact, respectively, on the amount of cash provided by operating activities. Our operating activities is impacted by both movements in operating revenues, as determined by market rates, and voyage expenses, which are primarily comprised of bunker expenses, port charges and canal tolls. In 2021, there was higher LNG carrier market rates which affected vessels operating in the spot market and resulted in longer term contracts being signed at higher rates than in 2020. This resulted in improved operating activities achieved in 2021;

- ii. Detailed information on the size and composition of our fleet is disclosed in "Item 4. Information on the Company - B. Business Overview". The increase in our fleet size from 10 to 13 vessels following the successful delivery of *Flex Freedom*, *Flex Volunteer* and *Flex Vigilant* between January 2021 and May 2021 resulted in an increase of \$85.7 million in cash received from revenues, offset by the increase in cash paid relating to voyage expenses, ship operating expenses and interest expense of \$21.1 million;
- iii. Changes in operating assets and liabilities resulted in an increase in cash provided by operating activities of \$6.6 million. The movement in working capital balances are impacted by the timing of voyages, and also by the timing of fueling and consumption of fuel on board our vessels. Revenues for all of our vessels operate under time charters and are typically billed in advance. In addition, the rise in bunker prices caused an increase in inventories held which impacted cash provided by operating activities; and
- iv. Debt repayments on the Company's fixed and floating rate facilities, along with the fluctuating LIBOR rates has resulted in an increase in interest paid of \$11.9 million in the year ended December 31, 2021 compared to the year ended December 31, 2020.

Net cash provided by operating activities increased by \$37.8 million to \$89.3 million for the year ended December 31, 2020, compared to cash provided of \$51.5 million in 2019. The increase was primarily due to the full year of operation of two vessels delivered during 2019 and the delivery of four vessels between July and October 2020.

Net cash used in investing activities

Net cash used in investing activities decreased by \$425.5 million to \$265.9 million in the year ended December 31, 2021, compared to cash used of \$691.4 million in 2020.

Net cash used in investing activities of \$265.9 million in 2021 comprised primarily of additions to vessel and equipment and final payments upon delivery of the vessels *Flex Freedom*, *Flex Vigilant* and *Flex Volunteer*. The aggregate capitalized cost of these vessels was \$555.4 million, offset by vessel purchase prepayments paid in previous periods of \$289.6 million.

Net cash used in investing activities increased by \$399.9 million to \$691.4 million in the year ended December 31, 2020, compared to cash used of \$291.5 million in 2019. Net cash used in investing activities in the year ended December 31, 2020, includes net cash paid on the delivery of four vessels with a total capitalized cost of \$751.1 million, offset by vessel purchase prepayments made in previous years of \$185.7 million, and \$125.8 million deposited and pre-positioned into escrow accounts in connection with the delivery of *Flex Freedom*, as aforementioned.

Net cash provided by financing activities

Net cash provided by in financing activities decreased by \$480.2 million to \$123.1 million in the year ended December 31, 2021, compared to net cash provided by \$603.3 million in the same period in 2020.

Net cash provided by financing activities in 2021 was due to:

- proceeds from the drawdown of long-term debt of \$383.3 million, comprised of \$100 million under the \$125 Million Facility on delivery of *Flex Volunteer*, \$123.3 million under the \$629 Million Facility on delivery of *Flex Vigilant* and \$160.0 million from the refinancing of the *Flex Volunteer* under the *Flex Volunteer* Sale and Leaseback; and
- net drawdown of \$42.4 million on revolving facilities under the \$125 Million Facility and the \$100 Million Facility, comprised of an aggregate drawdown of \$340.3 million and aggregate repayments of \$297.9 million.

These items were partially offset by:

- dividend payments of \$98.9 million;
- the purchase of 777,203 treasury shares for an aggregate cost of \$7.8 million;
- scheduled repayments of long-term debt of \$72.2 million; and
- prepayment of the outstanding balance under the \$125 Million Facility of \$120.3 million following the refinancing *Flex Volunteer*.

Net cash provided by financing activities increased by \$289.3 million to \$603.3 million in the year ended December 31, 2020, compared to net cash provided of \$314.0 million in the same period in 2019. During the year ended December 31, 2020, the cash provided by financing activities includes drawdown of \$513.2 million under the \$629 Million Term Loan Facility, proceeds of \$156.4 million under the Flex Amber Sale and Leaseback offset by financing costs of \$17.5 million. Cash used in financing activities includes \$1.7 million in the purchase of Treasury shares, \$36.3 million net repayment of long term debt, including repayments on revolving credit facilities and \$10.8 million in dividends paid.

Net cash provided by financing activities during the year ended December 31, 2019 includes drawdown of \$250 million under the \$250 Million Term Loan Facility, drawdown of \$100 million under the \$100 Million Facility, under which the revolving credit facility was subsequently prepaid and the available amount re-drawn, and proceeds of \$300 million on execution of the Hyundai Glovis Sale and Charterback. Cash used in financing activities include prepayment of \$294.0 million outstanding under the \$315 Million Term Loan Facility, \$29.5 million in scheduled repayment of long term debt, \$5.0 million in financing costs and \$5.4 million in dividends paid.

The table below sets forth a summary of our capital expenditures on vessels in 2021 and 2020.

<i>(unaudited in thousands of \$)</i>	Year ended December 31,	
	2021	2020
<i>Flex Constellation and Flex Courageous</i>	—	(121)
<i>Flex Aurora and Flex Amber</i>	95	300,085
<i>Flex Artemis, Flex Resolute and Flex Freedom</i>	7,559	391,426
<i>Flex Volunteer and Flex Vigilant</i>	258,276	—
Total	265,930	691,390

C. Research and Development, Patents and Licenses, etc.

We have no material patents and do not use any licenses other than ordinary information technology licenses.

We have registered our primary domain at www.flexlng.com. The information on our website is not incorporated by reference into this annual report.

D. Trend Information

Please see "Item 4. Information on the Company—B. Business Overview—The Liquefied Natural Gas Industry."

E. Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the valuation of our vessels and the expected economic life of our vessels. Actual results could differ from those estimates.

Vessel Impairment. The carrying values of our vessels 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. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels that are held and used by

us are reviewed for potential impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or newbuilding may not be fully recoverable. Such indicators may include depressed charter rates and depressed second-hand vessel values. We assess recoverability of the carrying value of each asset on an individual basis by estimating the future undiscounted cash flows expected to result from the asset. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. Fair value is estimated based on values achieved for the sale/purchase of similar vessels and appraised valuations. As of December 31, 2021, we did not identify any indicators of vessel impairment.

Vessels and depreciation. Vessels are stated at cost less accumulated depreciation. We depreciate the cost of our vessels on the basis of two components: a vessel component and a dry-docking component. Vessel depreciation is calculated based on cost less estimated residual value, using the straight-line method, over the useful life of each vessel. The useful life of each vessel is deemed to be 35 years. The residual value is calculated by multiplying the lightweight tonnage of the vessel by the market price of scrap per tonne. The market price of scrap per tonne is calculated as the 10-year average, up to the date of delivery of the vessel, across the three main recycling markets (Far East, Indian sub-continent and Bangladesh). Residual values are reviewed annually. The dry-docking component of the vessel's cost is depreciated over five years (the period within which each vessel is required to be dry-docked). We capitalize the costs associated with the dry-docking and amortize these costs on a straight-line basis over the period to the next expected dry-docking. We have adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and senior executive officers.

The business address of each of our directors and senior management listed below is Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda.

Name	Age	Position
David McManus	68	Director of the Company and Chairman of the Board of Directors
Ola Lorentzon	72	Director of the Company
Nikolai Grigoriev	47	Director of the Company and Chairperson of the Audit Committee
Steen Jakobsen	57	Director of the Company
Oystein M. Kalleklev	42	Chief Executive Officer of Flex LNG Management AS and Principal Executive Officer of FLEX LNG Ltd.
Knut Traaholt	44	Chief Financial Officer of Flex LNG Management AS and Principal Financial Officer of FLEX LNG Ltd.

Effective March 31, 2021, Harald Gurvin resigned as Chief Financial Officer of Flex LNG Management AS. Mr. Gurvin served as Chief Financial Officer of the Flex LNG Management AS from January 2019 to March 2021.

Effective March 15, 2021, Marius Hermansen resigned as a Director of the Company. Mr. Hermansen served as a Director of the Company from December 2015 to March 2021.

Biographical information concerning the directors and our senior executive officers listed above is set forth below.

David McManus has served as a director of the Company since August 2011. Mr. McManus is currently a non-executive director for a number of listed companies, including Hess Corporation and Genel Energy. Mr. McManus has 45 years of technical, commercial and general management experience across all aspects of the international oil and gas business, having held various executive roles at Pioneer Natural Resources, BG Group, ARCO, Ultramar, and Shell. As Chairman of Cape plc, Mr. McManus worked on several global LNG projects such as Sakhalin, Qatargas, and North West Shelf.

Ola Lorentzon has served a director of the Company since June 2017. Mr. Lorentzon served as Principal Executive Officer of Golden Ocean Group Limited, or GOGL, from 2010 to 2015 and held the role as Chief Executive Officer of Frontline Management AS from 2000 to 2003. From 1986 to 2000, Mr. Lorentzon served as Chief Executive Officer of ICB

Shipping. Mr. Lorentzon is also a Director and Chairman of Golden Ocean Group Limited and of Frontline Ltd., both related parties, and Director of Erik Thun AB.

Nikolai Grigoriev has served as a director of the Company since September 2017. From 2008 to 2016, Mr. Grigoriev served as Managing Director, Shipping at Gazprom Marketing & Trading (GMT) in London and Singapore. Prior to GMT, Mr. Grigoriev worked for BG Group and Merrill Lynch in Houston and London 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 in Fontainebleau, France.

Steen Jakobsen has served as a director of the Company since March 2021. Mr. Jakobsen joined Saxo Bank in 2000 and serves as Chief Investment Officer. Mr. Jakobsen was the founder of Saxo Bank's renowned Outrageous Predictions. Prior to joining Saxo Bank, he worked with Swiss Bank Corp, Citibank, Chase Manhattan, UBS and served as Global Head of Trading, FX and Options at Christiania (now Nordea). Mr. Jakobsen graduated from the University of Copenhagen in 1989 with a MSc in Economics.

Oystein M. Kalleklev joined the Group in October 2017, after serving as Chief Financial Officer of Knutsen NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015 to 2017. Previous roles include Chief Financial Officer 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. Mr. Kalleklev was appointed Chief Executive Officer of Flex LNG Management AS and Principal Executive Officer of FLEX LNG Ltd. in August 2018 and also served as interim Chief Financial Officer until January 2019.

Knut Traaholt joined Flex LNG Management AS as Chief Financial Officer in May 2021. Mr. Traaholt has about 15 years' experience from international shipping, offshore and E&P finance. His employment background includes Client Executive in Swedbank AB and Director in ABN AMRO Bank N.V. where he worked with large shipping and offshore companies. Mr. Traaholt educational background includes MSc degree in Shipping, Trade and Finance from CASS Business School, Bachelor in Business and administration from Copenhagen Business School as well as an Executive MBA from Norwegian School of Economics. Mr. Traaholt is also a Certified European Financial Analyst (CEFA).

B. Compensation

Our Board of Directors 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. Our Board of Directors' process for determining our executive management's remuneration aims to link the performance related element of the remuneration (options and bonus) to value creation for shareholders.

The remuneration of the members of the Board of Directors is determined annually by at our General Meeting, on the basis of the Board of Directors' responsibility, expertise, time commitment and the complexity of our operations. Through our remuneration of directors, part of which has historically been in stock, we have encouraged directors to own our ordinary shares. Remuneration is not linked to our financial or operating performance. At our 2021 General Meeting, our shareholders approved the remuneration of our Board of Directors of an aggregate amount of fees not to exceed \$400,000 for the year ended December 31, 2021.

During the year ended December 31, 2021, we paid aggregate cash compensation of approximately \$1.6 million and an aggregate amount of approximately \$0.3 million for pension, social security and retirement benefits to our directors and executive officers. In addition, we paid \$0.6 million in settlement of exercised stock options from the September 2018 Tranche which were granted to management pursuant to our Share Option Scheme, as discussed below.

The following table sets out the aggregate compensation to our Directors, shown in U.S. dollars:

Director	Year ended December 31,		
	2021	2020	2019
David McManus	100,000	100,000	100,000
Ola Lorentzon	40,000	40,000	40,000
Nikolai Grigoriev	50,000	40,000	40,000
Steen Jakobsen	32,000	—	—
Marius Hermansen (former director)	8,000	40,000	40,000
João Saraiva E Silva (former director)	—	33,443	12,055
Total	230,000	253,443	232,055

Share Option Scheme

On September 7, 2018, our Board of Directors approved our Share Option Scheme, which provides for share options to be granted to directors, officers and eligible employees of the Company and its subsidiaries. The Share Option Scheme was designed to align employees with shareholder value creation and to retain persons. Share options granted under our Share Option Scheme are fully paid ordinary shares of par value \$0.10. No consideration shall be payable to the Company for the grant of an option. The option shall entitle the option holder to subscribe for shares at a price per share equal to the subscription price at the date the option is exercised. The share option scheme shall terminate on the earlier of the following dates: (a) the date (if any) determined by our Board of Directors to be the date of termination of the scheme; and (b) the tenth anniversary of the Adoption Date, meaning the date on which the scheme is approved by our Board of Directors.

On April 2, 2020, we granted 45,000 share options to an officer in accordance with the terms of the Share Option Scheme (the "April 2020 Tranche"). The share options have a five-year term and will vest equally one third over a three-year vesting period. The options have an exercise price of: \$5.10 for those vesting after one year; \$7.60 for those vesting after two years; and \$10.20 for those vesting after three years.

On August 16, 2021, we granted 585,000 share options to members of executive management (the "August 2021 Tranche"). The share options have a five-year term from September 7, 2021, with a three-year vesting period, whereby: 25% will vest after one year; 35% will vest after two years; and 40% will vest after three years. The options have an exercise price of: \$14.00 for those vesting after one year; \$15.60 for those vesting after two years; and \$17.20 for those vesting after three years. The weighted average strike price of the options is \$15.84 per share. The exercise price will be adjusted for any distribution of dividends made before the relevant options expire. As part of the issuance Øystein Kalleklev, CEO of Flex LNG Management AS, was allocated 250,000 options and Knut Traaholt, CFO of Flex LNG Management AS, was allocated 120,000 options.

On November 17, 2021, Øystein M Kalleklev, CEO of Flex LNG Management AS, exercised 60,000 stock options vested in the period September 7, 2018 to September 7, 2021. The original strike price was \$14.30 per share but have been adjusted to \$12.90 (the "Adjusted Strike Price") due to \$1.40 dividend paid per share since the options were granted. The stock options have been settled in cash with the difference of the Adjusted Strike Price and the closing price at NYSE on November 17, 2021 of \$22.78.

Details of options to acquire ordinary shares in the Company by our Directors and officers as of March 15, 2022, were as follows:

Director or Officer	Total	Vested	Weighted average exercise price⁽¹⁾	Expiration Date
Øystein Kalleklev	250,000	—	\$ 13.94	September 2026
Knut Traaholt	120,000	—	\$ 13.94	September 2026

(1) Exercise prices have been adjusted for dividends declared pursuant to the Company's Share Option Scheme.

C. Board Practices

Our Board of Directors maintains overall responsibility of the Company and its strategy and is entrusted with various tasks including appointment and supervision of our management team and establishment of strategic, accounting, organizational and financial policies. In accordance with our bye-laws the number of directors shall be such number not less than two, as our shareholders by Resolution may from time to time determine and each director shall hold office until the next annual general meeting following his election or until his successor is elected. We currently have four directors.

We have established an Audit Committee which is responsible for overseeing the quality and integrity of our financial statements and its accounting, auditing and financial reporting practices, our compliance with legal and regulatory requirements and the independent auditor's qualifications, independence and performance. Our audit committee consists of one independent director, Mr. Nikolai Grigoriev, who our Board of Directors has determined qualifies as an "audit committee financial expert" for purposes of the SEC rules and regulations.

We have not established a nomination committee. Our Board of Directors 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 our Bye-Laws, directors are elected by the shareholders in duly convened annual or special general meetings

We have not established a compensation committee. Our Board of Directors is responsible for establishing our executive officers' compensation and benefits. Under Bermuda law, compensation of the executive officers is not required to be determined by an independent committee.

As a foreign private issuer, we are exempt from certain corporate governance requirements of the NYSE that are applicable to U.S. listed companies because we follow our home country (Bermuda) practice, which is permitted under the NYSE's rules. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies listed on the NYSE, please see "Item 16G. Corporate Governance".

D. Employees

As of December 31, 2021, we employed eight people through our subsidiaries Flex LNG Management Limited and Flex LNG Management AS (2020: nine (2019: eight)).

E. Share Ownership

The table below shows, in relation to each of our directors and executive officers, the total number of ordinary shares beneficially owned as of March 15, 2022.

Name	Ordinary Shares ⁽¹⁾	Percentage of Ordinary Shares Outstanding
David McManus	92,519	*
Ola Lorentzon	3,173	*
Nikolai Grigoriev	24,421	*
Steen Jakobsen	—	*
Oystein Kalleklev	50,000	*
Knut Traaholt	—	*

* Less than 1% of our issued and outstanding shares.

(1) Not including options to purchase ordinary shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth the beneficial ownership of our ordinary shares, par value \$0.10 per share, by beneficial owners of 5% or more of our ordinary shares, of which we are aware as of March 15, 2022. All of our issued and outstanding ordinary shares have equal voting rights and are equally entitled to dividends.

Name	Ordinary Shares Beneficially Owned	
	Number	Percentage ⁽¹⁾
Geveran Trading Co. Ltd. ⁽²⁾	24,678,811	46.4 %

(1) Calculated based on 53,130,584 ordinary shares issued and outstanding as of March 15, 2022.

(2) C.K. Limited is the trustee of two trusts (the "Trusts") settled by Mr. John Fredriksen. The Trusts indirectly hold all of the shares of Geveran and Greenwich Holdings Limited, the sole shareholder of Geveran. Accordingly, C.K. Limited, as trustee, may be deemed to beneficially own the 24,678,811 ordinary shares that are owned by Geveran and beneficially owned by Greenwich Holdings Limited. The beneficiaries of the Trusts are members of Mr. Fredriksen's family. Mr. Fredriksen is neither a beneficiary nor a trustee of either Trust. Therefore, Mr. Fredriksen has no economic interest in such ordinary shares and Mr. Fredriksen disclaims any control over such ordinary shares, save for any indirect influence he may have with C.K. Limited, as the trustee of the Trusts, in his capacity as the settlor of the Trusts.

In the past three years, there has been a significant change in Geveran's percentage ownership of the Company. Please see "Item 4. Information on the Company-A. History and Development of the Company-Share Issuances and Financing Transactions."

B. Related Party Transactions

General Management Agreements

In October 2021, the Company entered into a service level agreement with a Front Ocean Management AS as part of which they will provide certain advisory and support services including human resources, shared office costs, administrative support, IT systems and services, compliance, insurance and legal assistance. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million for these services.

We have an administrative services agreement with Frontline Management under which they provide us with certain administrative support, technical supervision, purchase of goods and services within the ordinary course of business and other support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. Frontline Management may subcontract these services to other associated companies, including Frontline Management (Bermuda) Limited. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.5 million from Frontline Management and associated companies for these services (2020: \$0.3 million (2019: \$1.0 million)).

We also have an agreement with Seatankers under which it provides us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million from Seatankers for these services (2020: \$0.3 million (2019: \$0.5 million)).

Vessel Acquisitions

Our agreements to acquire *Flex Enterprise, Flex Endeavour, Flex Constellation, Flex Courageous, Flex Aurora, Flex Amber, Flex Artemis, Flex Resolute, Flex Freedom, Flex Vigilant and Flex Volunteer* were all with counterparties that are related to Geveran. The purchase price for these vessels was negotiated based on the parties' assessment of the construction cost for similar types of vessels at the time these agreements were entered into, and was supported by fairness opinions obtained from independent financial advisers. For a description of these transactions, please see "Item 4. Information on the Company-B. Business Overview-Fleet Development."

Technical Management and Support Services

The Company has a ship management agreements with Flex LNG Fleet Management AS, a related party owned by Frontline Ltd., for which they are responsible for the technical ship management for all of our entire fleet. Under the agreements, Flex LNG Fleet Management AS is paid a fixed fee per vessel per annum, which is subject to an annual review. In the year ended December 31, 2021, we recorded an expense, within vessel operating expenses, of \$3.2 million from Flex LNG Fleet Management AS for these services (2020: \$1.8 million (2019: \$0.2 million)).

Consultancy Services

The Company has a consultancy agreement with FS Maritime SARL for the employment of our Chief Commercial Officer. The fee is set at a maximum of CHF437,995 per annum and is charged on a pro-rated basis for the time allocation of consultancy services incurred. The contract was terminated in December 2021, and will expire in March 2022. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.3 million from FS Maritime SARL for these services (2020: \$0.2 million).

For additional information related to our related party transactions, please see "Note 17. Related Party Transactions" to our Consolidated Financial Statements.

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and other Financial Information

Please see the section of this annual report on Form 20-F entitled "Item 18. Financial Statements."

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements.

From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

Dividend Policy

Holders of ordinary shares are entitled to receive dividend and distribution payments, pro rata based on the number of ordinary shares held, when, as and if declared by the Board, in its sole discretion. Any dividends declared will be at the discretion of the Board and will depend upon our financial condition, earnings and other factors.

As a Bermuda exempted company, we are subject to Bermuda law relating to the payment of dividends. We may not pay any dividends if, at the time the dividend is declared or at the time the dividend is paid, there are reasonable grounds for believing that, after giving effect to that payment;

- we will not be able to pay our liabilities as they fall due; or
- the realizable value of our assets, is less than our liabilities.

In addition, since we are a holding company with no material assets, and conduct our operations through subsidiaries, our ability to pay any dividends to shareholders will depend on our subsidiaries' distributing to us their earnings and cash flow. Some of our loan agreements currently limit or prohibit our subsidiaries' ability to make distributions to us and our ability to make distributions to our shareholders.

We can give no assurance that dividends will be declared and paid in the future or the amount of such dividends if declared and paid.

For the years ended December 31, 2021, 2020 and 2019, we paid aggregate dividends to our shareholders in the amount of \$98.9 million, \$10.8 million and \$5.4 million respectively. We have paid the following dividends per share in respect of the periods set forth below:

Date paid	Dividends per share
December 14, 2021	\$ 0.75
September 16, 2021	\$ 0.40
June 16, 2021	\$ 0.40
March 17, 2021	\$ 0.30
December 17, 2020	\$ 0.10
March 25, 2020	\$ 0.10
December 18, 2019	\$ 0.10

In February 2022, we declared a dividend of \$0.75 per share. The dividend will be paid on or around March 16, 2022.

B. Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details.

Share History and Markets

Our ordinary shares currently trade on the OSE and the NYSE under the symbol "FLNG". See "Item 10. Additional Information-A. Share Capital."

B. Plan of Distribution

Not applicable.

C. Markets.

Our ordinary shares currently trade on the OSE and the NYSE, both under the symbol "FLNG". There is no assurance that an active and liquid trading market for our ordinary shares will be sustained in the United States or that we will continue to meet NYSE's continued listing requirements.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum of Continuance

The description of our Memorandum of Continuance and Bye-Laws is incorporated by reference to our registration statement on Form 20-F, as amended, which was filed with the SEC on May 28, 2019, or the 20-F Registration Statement. The Company's Memorandum of Continuance and Bye-Laws were filed as Exhibit 1.1 and 1.2 to the 20-F Registration Statement and are hereby incorporated by reference into this annual report.

C. Material Contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and outside the ordinary course of business that are to be performed in whole or in part after the date of this annual report. Other than as set forth above, we have not entered into any material contracts outside the ordinary course of business other than those described in "Item 4. Information on the Company" and in "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities" or elsewhere in this annual report, which are incorporated herein by reference.

D. Exchange Controls

The Bermuda Monetary Authority, or the BMA, must give permission for all issuances and transfers of securities of a Bermuda exempted company like ours, unless the proposed transaction is exempted by the BMA's written general permissions. We have received general permission from the BMA to issue any unissued ordinary shares and for the free transferability of our ordinary shares as long as our ordinary shares are listed on an "appointed stock exchange". Our ordinary shares are listed on the

OSE and the NYSE, each of which is an "appointed stock exchange". Our ordinary shares may therefore be freely transferred among persons who are residents and non-residents of Bermuda.

Although we are incorporated in Bermuda, we are classified as a non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on our ability to transfer funds into and out of Bermuda or to pay dividends to U.S. residents who are holders of ordinary shares or other non-residents of Bermuda who are holders of our ordinary shares in currency other than Bermuda Dollars.

E. Taxation

U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences and certain non-U.S. tax consequences to U.S. Holders and Non-U.S. Holders, each as defined below, of the acquisition, ownership and disposition of our ordinary shares received pursuant to this annual report, and of certain U.S. federal income tax consequences to our Company. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to an investor's decision to purchase our ordinary shares, or any tax consequences arising under the laws of any state, locality or foreign jurisdiction. This summary is not intended to be applicable to all categories of investors, such as dealers in securities, banks, thrifts or other financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, U.S. expatriates, persons that hold the ordinary shares as part of a straddle, wash sale or conversion transaction, persons who own, directly or constructively, 10% or more of our outstanding stock, persons deemed to sell the ordinary shares under the constructive sale provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code, persons whose "functional currency" is other than the U.S. dollar, or persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement", each of which may be subject to special rules. This discussion also does not describe all of the tax consequences that may be relevant to an investor, including the alternative minimum tax, the "base erosion and anti-avoidance" tax or the unearned income Medicare contribution tax. In addition, this discussion is limited to persons who hold ordinary shares as "capital assets" (generally, property held for investment) within the meaning of Code Section 1221.

If an entity treated as a partnership for U.S. federal income tax purposes holds the ordinary shares, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the ordinary shares are encouraged to consult their own tax advisors.

The following are the material U.S. federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of our ordinary shares. We have assumed that the Company will be operated as described herein. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, each of which as is in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. Except as otherwise noted, this discussion is based on the assumption, as currently expected, that we will not maintain an office or other fixed place of business within the United States. References in the following discussion to "we" and "us" are to FLEX LNG Ltd. and its subsidiaries on a consolidated basis.

U.S. Taxation of our Company

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. We are not permitted by law to engage in transportation that gives rise to 100% U.S. source income.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside of the United States. Shipping income derived from sources outside of the United States will not be subject to U.S. federal income tax.

Unless exempt from U.S. federal income tax under section 883 of the Code, we will be subject to U.S. federal income tax, in the manner discussed below, to the extent our shipping income is derived from sources within the United States.

Application of Section 883 of the Code

Under section 883 of the Code and the Treasury Regulations promulgated thereunder, we, and each of our subsidiaries, will be exempt from U.S. federal income taxation on our respective U.S. source shipping income if, in addition to satisfying certain substantiation and reporting requirements, both of the following conditions are met:

- we and each subsidiary are organized in a "qualified foreign country," defined as a country that grants an equivalent exemption from tax to corporations organized in the United States in respect of the shipping income for which exemption is being claimed under section 883 of the Code; this is also known as the "Country of Organization Requirement"; and
- either
 - more than 50% of the value of our stock is treated as owned, directly or indirectly, by individuals who are "residents" of qualified foreign countries; this is also known as the "Ownership Requirement"; or
 - our stock is "primarily and regularly traded on an established securities market" in the United States or any qualified foreign country; this is also known as the "Publicly-Traded Requirement."

The U.S. Treasury Department has recognized (i) Bermuda, our country of incorporation and at least one of our subsidiaries, and (ii) the Republic of the Marshall Islands, the country of incorporation of certain of our vessel-owning subsidiaries that has earned shipping income from sources within the United States as qualified foreign countries. Accordingly, we and each such subsidiary satisfy the Country of Organization Requirement.

Due to the public nature of our shareholdings, we do not believe that we will be able to substantiate that we satisfy the Ownership Requirement. However, as described below, we believe that we may be able to satisfy the Publicly-Traded Requirement.

The Treasury Regulations under section 883 of the Code provide that a foreign corporation will meet the Publicly-Traded Requirement if one or more classes of its stock representing, in the aggregate, more than 50% of the combined voting power and total value of the stock of the corporation is "primarily and regularly traded on an established securities market." Our ordinary shares represent more than 50% of the combined voting power and total value of our stock.

A class of stock will be considered to be "primarily traded" on an "established securities market" if the number of shares of each class of such stock that is traded during the taxable year on all "established securities markets" in that country exceeds the number of shares in each such class that are traded during that year on "established securities markets" in any other single country. Our stock is currently traded on the OSE and on the NYSE. Our ordinary shares should be considered to be "primarily traded" on the OSE, an "established securities market" for purposes of Code section 883.

Under the Treasury Regulations, a class of stock will be considered to be "regularly traded" on an "established securities market" if one or more classes of stock of the corporation representing more than 50% of the total combined voting power of all classes of stock entitled to vote and of the total value of the stock of the corporation are listed on such market during the taxable year. Since our ordinary shares, which constitute more than 50% of the total combined voting power and total value of our stock, are listed on the OSE and the NYSE, we expect to satisfy the Listing Requirement.

The Treasury Regulations further require that with respect to each class of stock relied upon to meet the Listing Requirement: (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year; this is also known as the "Trading Frequency Test"; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year, or as appropriately adjusted in the case of a short taxable year; this is also known as the "Trading Volume Test."

Our ordinary shares will satisfy the Trading Frequency Test and the Trading Volume Test. Even if this were not the case, the Treasury Regulations provide that the Trading Frequency Test and the Trading Volume Test will be deemed satisfied by a class of stock if such class of stock is traded on an "established securities market" in the United States and such class of stock is regularly quoted by dealers making a market in such stock. If our ordinary shares are not primarily and regularly traded on the OSE, then they would be considered to be primarily and regularly traded on the NYSE.

Notwithstanding the foregoing, the Treasury Regulations provide that our ordinary shares will not be considered to be "regularly traded" on an "established securities market" for any taxable year in which 50% or more of the outstanding ordinary

shares, by vote and value, are owned, for more than half the days of the taxable year, by persons who each own, directly or indirectly, 5% or more of the vote and value of the outstanding ordinary shares; this is also known as the "5% Override Rule." The 5% Override Rule will not apply, however, if in respect of each category of shipping income for which exemption is being claimed, we can establish that individual residents of qualified foreign countries, or "Qualified Shareholders," own sufficient ordinary shares to preclude non-Qualified Shareholders from owning (excluding, for this purpose, any share of stock treated as also owned by a Qualified Shareholder through the application of constructive ownership rules) 50% or more of the total value of our ordinary shares for more than half the number of days during the taxable year; this is also known as the "5% Override Exception."

We believe we will satisfy the Publicly-Traded Test for the 2021 taxable year and will not be subject to the 5% Override Rule, and we intend to take that position on our 2021 U.S. federal income tax returns. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source income. For example, there is a risk that we could no longer qualify for Section 883 exemption for a particular taxable year if one or more 5% Shareholders were to own 50% or more of our outstanding ordinary shares on more than half the days of the taxable year. Under these circumstances, we would be subject to the 5% Override Rule and we would not qualify for the Section 883 exemption unless we could establish that our shareholding during the taxable year was such that non-qualified 5% Shareholders did not own 50% or more of our ordinary shares on more than half the days of the taxable year. Under the Treasury Regulations, we would have to satisfy certain substantiation requirements regarding the identity of our shareholders. These requirements are onerous and there is no assurance that we would be able to satisfy them. We can give no assurances regarding our or any of our subsidiaries' qualification for the exemption under Section 883 of the Code.

Taxation in Absence of Exemption Under Section 883 of the Code

To the extent the benefits of section 883 of the Code are unavailable with respect to any item of U.S. source shipping income earned by us or by our subsidiaries, and our U.S. source shipping income is not considered effectively connected with the conduct of a U.S. trade or business, such U.S. source shipping income would be subject to a 4% U.S. federal income tax imposed by section 887 of the Code on a gross basis, without benefit of deductions. Since, under the sourcing rules described above, no more than 50% of our shipping income would be treated as being U.S. source shipping income, the maximum effective rate of U.S. federal income tax on our shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, would never exceed 2% of the gross amount of such shipping income.

Gain on Sale of Vessels

If we and our subsidiaries qualify for exemption from tax under section 883 of the Code in respect of our U.S. source shipping income, the gain on the sale of any vessel earning such U.S. source shipping income should likewise be exempt from U.S. federal income tax. Even if we and our subsidiaries are unable to qualify for exemption from tax under section 883 of the Code and we or any of our subsidiaries, as the seller of such vessel, are considered to be engaged in the conduct of a U.S. trade or business, gain on the sale of such vessel would not be subject to U.S. federal income tax provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. If the sale is considered to occur within the United States, any gain on such sale may be subject to U.S. federal income tax as "effectively connected" income at a rate of up to 44.7%. To the extent circumstances permit, we intend to structure sales of our vessels in such a manner, including effecting the sale and delivery of vessels outside of the United States, so as to not give rise to "effectively connected" income.'

U.S. Federal Income Tax Consequences to U.S. Holders of Our Ordinary Shares

A "U.S. Holder" is a beneficial owner of ordinary shares that is: (1) an individual citizen or resident alien of the United States, (2) a corporation or other entity that is taxable as a corporation, created or organized under the laws of the United States or any state or political subdivision thereof (including the District of Columbia), (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, and (4) a trust, if (i) a U.S. court can exercise primary supervision over the administration of such trust and one or more U.S. persons has the authority to control all substantial decisions of the trust or (ii) the trust has in effect a valid election to be treated as a United States person for U.S. federal income tax purposes.

Taxation of Distributions on Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Status and Significant Tax Consequences," distributions, if any, paid on our ordinary shares generally will be includable in a U.S. Holder's income as dividend income to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in its ordinary shares on a dollar-for-dollar basis and thereafter as capital gain. Such distributions will generally not be eligible for the dividends-received deduction with respect to corporate U.S. Holders. A noncorporate U.S. Holder may qualify for taxation at preferential rates, provided that such U.S. Holder meets certain holding period and other requirements and we do not constitute a passive foreign investment company, as described below, for the taxable year of the distribution or the immediately preceding year. Dividends paid on our ordinary shares will be income from sources outside the United States and will generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income" for U.S. foreign tax credit limitation purposes.

Amounts taxable as dividends generally will be treated as passive income from sources outside the U.S. However, if (a) the Company is 50% or more owned, by vote or value, by U.S. persons and (b) at least 10% of the Company's earnings and profits are attributable to sources within the U.S., then for foreign tax credit purposes, a portion of its dividends would be treated as derived from sources within the U.S. With respect to any dividend paid for any taxable year, the U.S. source ratio of our dividends for foreign tax credit purposes would be equal to the portion of the Company's earnings and profits from sources within the U.S. for such taxable year divided by the total amount of Company's earnings and profits for such taxable year. The rules related to U.S. foreign tax credits are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available.

Special rules may apply to any "extraordinary dividend"—generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted basis (or fair market value in certain circumstances) or dividends received within one-year period that, in the aggregate, equal or exceed 20% of a shareholder's adjusted tax basis (or fair market value upon the shareholder's election) in an ordinary share. If the Company pays an "extraordinary dividend" on its ordinary shares that is treated as "qualified dividend income" then any loss derived by a non-corporate U.S. Holder from the sale or exchange of such ordinary shares will be treated as long-term capital loss to the extent of such dividend.

Dividends paid in currency other than U.S. dollars will be generally included in the income of U.S. Holders at the U.S. dollar amount of the dividend (including any non-U.S. taxes withheld therefrom), based upon the exchange rate in effect on the date of the distribution. In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However an individual whose realized foreign exchange gain does not exceed U.S. \$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

Sale, Exchange or Other Disposition of Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Status and Significant Tax Consequences," upon the sale, exchange or other taxable disposition of ordinary shares, a U.S. Holder generally will recognize capital gain or capital loss equal to the difference between the amount realized on such sale or exchange and such holder's adjusted tax basis in such ordinary shares. U.S. Holders are encouraged to consult their tax advisors regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for U.S. Holders who are individuals, trusts or estates) and capital losses (the deductibility of which is subject to limitations). A U.S. Holder's gain or loss will generally be treated (subject to certain exceptions) as gain or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

In the case of any proceeds paid in foreign currency to a U.S. Holder in connection with the sale, exchange or other taxable disposition of the ordinary shares that is not converted by the recipient into U.S. dollars on the settlement date (in the case of a cash method taxpayer or an accrual method taxpayer that elects to use the settlement date) or trade date (in the case of an accrual method taxpayer), a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the settlement date or trade date, respectively. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized foreign exchange gain does not exceed U.S. \$200 will not recognize that gain, to the extent that there are not expenses

associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

Passive Foreign Investment Company Status and Significant Tax Consequences

Notwithstanding the above rules regarding distributions with respect to and dispositions of the ordinary shares, special rules may apply to U.S. Holders (or, in some cases, U.S. persons who are treated as owning our ordinary shares under constructive ownership rules) if we are treated as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes. We will be a PFIC if either:

- at least 75% of our gross income in a taxable year is "passive income"; or
- at least 50% of our assets in a taxable year (based on an average of the quarterly values of the assets) are held for the production of, or produce, "passive income."

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own 25% or more of the value of the subsidiary's stock. To date, our subsidiaries and we have derived most of our income from time and voyage charters, and we expect to continue to do so. This income should be treated as services income, which is not "passive income" for PFIC purposes. We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes.

Based on our past, current and projected methods of operation we do not believe that we were, are or will be a PFIC for any taxable year. We are of the view that the income our subsidiaries or we earn from certain of time and voyage charters should not constitute passive income for purposes of determining whether we are a PFIC. Moreover, we have not sought, and we do not expect to seek, a ruling from the IRS on this matter. As a result, the IRS or a court could disagree with our position. In addition, there can be no assurance that we will not become a PFIC if our operations change in the future.

If we become a PFIC (and regardless of whether we remain a PFIC), each U.S. Holder who owns or is treated as owning our ordinary shares during any period in which we are so classified, would generally be subject to U.S. federal income tax, at the then highest applicable income tax rates on ordinary income, plus interest, upon certain "excess distributions" and upon dispositions of such ordinary shares (including, under certain circumstances, a disposition pursuant to an otherwise tax free reorganization) as if the distribution or gain had been recognized ratably over the U.S. Holder's entire holding period of the ordinary shares. An "excess distribution" generally includes dividends or other distributions received from a PFIC in any taxable year of a U.S. Holder to the extent that the amount of those distributions exceeds 125% of the average annual distributions made by the PFIC during a specified base period. The tax at ordinary rates and interest resulting from an excess distribution would not be imposed on a U.S. Holder of our ordinary shares if the U.S. Holder makes a "mark-to-market" election or "qualified electing fund" election, as discussed below.

If we become a PFIC and, provided that, as is currently the case, our ordinary shares are treated as "marketable stock," a U.S. Holder may make a "mark-to-market" election with respect to our ordinary shares. Under this election, any excess of the fair market value of the ordinary shares at the close of any tax year over the U.S. Holder's adjusted tax basis in the ordinary shares is included in the U.S. Holder's income as ordinary income. In addition, the excess, if any, of the U.S. Holder's adjusted tax basis at the close of any taxable year over the fair market value of the ordinary shares is deductible in an amount equal to the lesser of the amount of such excess or the net "mark-to-market" gains that the U.S. Holder included in income in previous years. If a U.S. Holder makes a "mark-to-market" election after the beginning of its holding period of our ordinary shares, the U.S. Holder does not avoid the PFIC rules described above with respect to the inclusion of ordinary income, and the imposition of interest thereon, attributable to periods before the election.

In some circumstances, a shareholder in a PFIC may avoid the unfavorable consequences of the PFIC rules by making a "qualified electing fund" election. However, a U.S. Holder cannot make a "qualified electing fund" election with respect to us unless such U.S. Holder complies with certain reporting requirements. We do not intend to provide the information necessary to meet such reporting requirements.

In addition to the above consequences, if we were to be treated as a PFIC for any taxable year for which a U.S. Holder holds our ordinary shares, such U.S. Holder may be required to file IRS form 8621 with the IRS for that year with respect to such U.S. Holder's ordinary shares.

You should consult your tax advisors regarding the application of the PFIC rules to your investment in our ordinary shares and the elections discussed above.

U.S. Federal Income Tax Consequences to Non-U.S. Holders

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our ordinary shares that is neither a U.S. holder nor a partnership (or any other entity taxed as a partnership for U.S. federal income tax purposes).

A non-U.S. holder will generally not be subject to U.S. federal income tax on dividends paid in respect of the ordinary shares or on gains recognized in connection with the sale or other disposition of the ordinary shares, provided, in each case, that such dividends or gains are not effectively connected with the non-U.S. holder's conduct of a U.S. trade or business. However, even if not engaged in a U.S. trader or business, individual non-U.S. holders may be subject to tax on gain resulting from the disposition of our ordinary shares if they are present in the U.S. for 183 days or more during the taxable year in which our ordinary shares are disposed and/or meet certain other requirements.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting" annually to the IRS, and "backup withholding" with respect to certain payments made on or with respect to the ordinary shares. Certain U.S. Holders are exempt from backup withholding and information reporting, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, and individual retirement accounts in each case that provide a properly completed IRS Form W-9. Backup withholding will apply to a non-exempt U.S. Holder if such U.S. Holder (1) fails to furnish its taxpayer identification number, or TIN, which, for an individual would be his or her social security number, (2) furnishes an incorrect TIN, (3) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (4) under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Non-U.S. Holders that do not provide a properly completed version of IRS Form W-8 (e.g., IRS Form W-8BEN-E, IRS Form W-8BEN, IRS Form W-8EXP, IRS Form W-8ECI, or IRS Form W-8IMY) will be subject to this backup withholding.

Backup withholding is not an additional tax. Rather, the United States federal income tax liability of persons subject to backup withholding will be offset by the amount of tax withheld. If backup withholding results in an overpayment of United States federal income tax, a refund or credit may be obtained from the IRS, provided that certain required information is timely furnished.

Certain Non-U.S. Tax Considerations

Bermuda Taxation

Bermuda currently imposes no tax (including a tax in the nature of an income, estate, duty, inheritance, capital transfer or withholding tax) on profits, income, capital gains or appreciations derived by us, or dividends or other distributions paid by us to shareholders of our ordinary shares. Bermuda has undertaken not to impose any such Bermuda taxes on shareholders of our ordinary shares prior to the year 2035 except in so far as such tax applies to persons ordinarily resident in Bermuda.

The Minister of Finance in Bermuda has granted the Company a tax exempt status until March 31, 2035, under which no income taxes or other taxes (other than duty on goods imported into Bermuda and payroll tax in respect of any Bermuda-resident employees) are payable by the Company in Bermuda. If the Minister of Finance in Bermuda does not grant a new exemption or extend the current tax exemption, and if the Bermudian Parliament passes legislation imposing taxes on exempted companies, the Company may become subject to taxation in Bermuda after March 31, 2035.

Marshall Islands Taxation

Because we do not (and do not expect in the future that we will) conduct business or operations in the Republic of the Marshall Islands, we are not subject to income, capital gains, profits or other taxation under current Marshall Islands law.

THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL AND BERMUDA INCOME TAXATION THAT MAY BE RELEVANT TO YOU IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES. YOU ARE ENCOURAGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF ACQUIRING, HOLDING, CONVERTING OR OTHERWISE DISPOSING OF SHARES OF OUR ORDINARY SHARES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act. In accordance with these requirements we file reports and other information with the SEC. These materials, including this annual report on Form 20-F and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the SEC at its principal office in Washington, D.C. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, our filings will be available on our website www.flexlng.com. This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this annual report.

Shareholders may also request a copy of our filings at no cost by writing or telephoning us at the following address:

FLEX LNG Ltd.
Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda
Tel: +1 441 295 69 35

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our activities expose it to a variety of financial risks including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Our overall risk management program considers the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance, in a cost-effective manner.

Currency Risk

The majority of our transactions, assets and liabilities are denominated in U.S. dollars, our functional currency. However, we incur expenditures in currencies other than the functional currency, mainly overhead costs in GBP, CHF and NOK. A portion of our dividends, if any, may also be paid in NOK due to our listing on the OSE. Historically, we have not hedged these exposures. There is a risk that currency fluctuations in transactions incurred in currencies other than our functional currency will have a negative effect of the value of our cash flows.

Interest Rate Risk

We are exposed to interest rate fluctuations primarily due to our floating rate interest-bearing long-term debt. The international LNG transportation industry is a capital-intensive industry, which requires significant amounts of financing, typically provided in the form of secured long-term debt or lease financing. Certain of our current bank and lease financing

agreements bear floating interest rates, based on LIBOR. Significant adverse fluctuations in floating interest rates could adversely affect our operating and financial performance and our ability to service our debt.

As of December 31, 2021, we had 17 interest rate swap transactions in order to reduce the risks associated with fluctuations in interest rates, whereby the floating rate has been swapped to a fixed rate. The total amortized notional principal of all of our interest rate swaps was \$677.8 million with a weighted average fixed interest rate of 1.17%. Please see "Note 14. Financial Instruments" to our Consolidated Financial Statements.

Liquidity Risk

We monitor the risk of 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, lease finance and loan finance. Market conditions can have a significant impact on the ability to raise equity, lease finance and loan finance. While equity issuance may be dilutive to existing shareholders, lease and loan finance will contain covenants and other restrictions.

Our objective is to maintain a balance between continuity of funding and flexibility through the raising of funds from investors. Upon delivery of the respective vessels from the yards, we expect to finance remaining delivery payments that are due through available liquidity, debt financing and lease financing.

Credit Risk

We are exposed to credit risk, which is the risk that a counterparty such as our charterers will be unable to pay amounts in full when due. There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Skandinaviska Enskilda Banken AB ("SEB") (S&P Global rating: A+), Nordea Bank AB ("Nordea") (S&P Global rating: AA-), Danske Bank AS ("Danske Bank") (S&P Global rating: A+) and DNB ASA ("DNB") (S&P Global rating: AA-).

Price Risk

We are 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 we cannot predict with certainty. Currently, no financial instruments have been entered into to reduce this risk.

Operational Risk

The operation of a LNG carrier has certain unique operational risks. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding and fire, explosions and collisions, human error, war, terrorism, piracy, labor strikes, boycotts and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting.

If our LNG carriers suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition.

At a commercial level it also includes the ability to secure employment contracts on reasonable terms for our vessels; and obtaining financing and working capital on reasonable terms.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures.

Management assessed the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this annual report as of December 31, 2021. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective as of December 31, 2021.

B. Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) promulgated under the Securities Exchange Act of 1934.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's Principal Executive Officer, Mr. Oystein Kalleklev, and Principal Financial Officer, Mr. Knut Traaholt, and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management conducted the evaluation of the effectiveness of the internal controls over financial reporting using the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report entitled Internal Control-Integrated Framework (2013).

Our management with the participation of our Principal Executive Officer and Principal Financial Officer assessed the effectiveness of the design and operation of the Company's internal controls over financial reporting pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as of December 31, 2021. Based upon that evaluation, our management with the participation of our Principal Executive Officer and Principal Financial Officer concluded that the Company's internal controls over financial reporting are effective as of December 31, 2021.

C. Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm because as an emerging growth company, we are exempt from this requirement.

D. Changes in Internal Control Over Financial Reporting.

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our Board has determined that Mr. Nikolai Grigoriev is an independent director and audit committee financial expert.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics, which we refer to as our Corporate Code of Business Ethics and Conduct, which applies to all entities controlled by the Company and its employees, directors, officers and agents. We have posted a copy of our Corporate Code of Business Ethics and Conduct on our website at www.flexlng.com. The information on our website is not incorporated by reference into this annual report. We will provide any person, free of charge with a copy of our Corporate Code of Business Ethics and Conduct upon written request to our offices at: Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda. Any waivers that are granted from any provision of our Corporate Code of Business Ethics and Conduct will be disclosed on our website within five business days following the date of such waiver.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company's principal accountant for 2021 and 2020 was Ernst & Young AS. The following table sets forth for the two most recent fiscal years the fees paid or accrued for audit and services provided by Ernst & Young AS to the Company.

<i>(In thousands of \$)</i>	Year ended December 31,	
	2021	2020
Audit Fees (a)	591	505
Audit-Related Fees (b)	—	—
Tax Fees (c)	—	—
All Other Fees (d)	—	—
Total	591	505

A. Audit Fees

Audit fees are the aggregate fees billed for professional services rendered for the audit of our annual financial statements and services normally provided by the principal accountant in connection with statutory and regulatory filings or engagements, included services related consents and assistance with and review of documents filed with the SEC.

B. Audit-Related Fees

Audit-related fees consisted of assurance and related services rendered by the principal accountant related to the performance of the audit of our financial statements which have not been reported under Audit Fees above.

C. Tax Fees

Tax fees represent fees for professional services rendered by the principal accountant for primarily tax compliance.

D. All Other Fees

None.

The Company's Board has adopted pre-approval policies and procedures in compliance with paragraph (c) (7)(i) of Rule 2-01 of Regulation S-X that require the Board to approve the appointment of the independent auditor of the Company before such auditor is engaged and approve each of the audit and non-audit related services to be provided by such auditor under such engagement by the Company. All services provided by the principal auditor in 2021 and 2020 were approved by the Audit Committee pursuant to the pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Period	Total number of shares purchased	Weighted average price paid per share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Programs ⁽³⁾
November 2020 ⁽¹⁾	31,900	\$ 7.56	31,900	—
December 2020 ⁽¹⁾	170,897	\$ 8.31	170,897	—
January 2021 ⁽¹⁾	97,203	\$ 9.51	97,203	—
February 2021 ⁽¹⁾	180,000	\$ 8.90	180,000	—
March 2021 ⁽¹⁾	320,000	\$ 8.53	320,000	—
June 2021 ⁽¹⁾	27,344	\$ 13.86	27,344	—
July 2021 ⁽¹⁾	72,656	\$ 13.84	72,656	—
August 2021 ⁽¹⁾	80,000	\$ 14.34	80,000	—

(1) On November 19, 2020, our Board of Directors authorized a share buy-back program (our “buy-back program”) to purchase up to an aggregate of 4,110,584 of our ordinary shares for the purpose of increasing shareholder value with a maximum amount to be paid per share under our buy-back program (a “maximum price”) of \$10.00 or the equivalent in NOK if purchased on the OSE. Between February and August 2021, in a series of actions, our Board of Directors authorized the increase in the maximum price that may be paid per ordinary share in our buy-back program from \$10.00 to \$15.00. Our buy-back program commenced on November 19, 2020 and ended on November 19, 2021. Under the buy-back program, the Company has repurchased an aggregate of 980,000 ordinary shares for an aggregate purchase price of NOK81.5 million, or \$9.4 million, at an average purchase price of NOK83.13, or \$9.64, per share.

(2) All purchases were made on the Oslo Stock Exchange in NOK equivalent.

(3) The Company's buy-back program ended on November 19, 2021 and no more shares are available to be purchased under the program.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception under the NYSE listing standards available to foreign private issuers, we are not required to comply with all of the corporate governance practices followed by U.S. companies under the NYSE listing standards (which are available at www.nyse.com) because in certain cases we follow our home country (Bermuda) practice. Pursuant to Section 303A.11 of the NYSE Listed Company Manual, we are required to list the significant differences between our corporate governance practices that comply with and follow our home country practices and the NYSE standards applicable to listed U.S. companies. Set forth below is a list of those differences:

- *Independence of Directors.* The NYSE requires that a U.S. listed company maintain a majority of independent directors. While our board of directors is currently comprised of directors a majority of whom are independent, we cannot assure you that in the future we will have a majority of independent directors.
- *Executive Sessions.* The NYSE requires that independent directors meet regularly in executive sessions at which only independent directors are present. We intend to hold executive sessions at which only independent directors are present at least twice a year.
- *Nominating/Corporate Governance Committee.* The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Bermuda law and our bye-laws, we do not currently have a nominating or corporate governance committee. To the extent we establish such committee in the future, it may not consist of independent directors, entirely or at all.
- *Compensation Committee.* The NYSE requires U.S. listed companies to have a compensation committee composed entirely of independent directors and a committee charter addressing the purpose, responsibility, rights and performance evaluation of the committee. As permitted under Bermuda law, we do not currently have a compensation committee. To the extent we establish such committee in the future, it may not consist of independent directors, entirely or at all.
- *Audit Committee.* The NYSE requires, among other things, that a listed U.S. company have an audit committee with a minimum of three members, all of whom are independent. As permitted by Rule 10A-3 under the Securities Exchange Act of 1934, our audit committee consists of one independent member of our Board, Nikolai Grigoriev.
- *Shareholder Approval Requirements.* The NYSE requires that a listed U.S. company obtain prior shareholder approval for certain issuances of authorized stock or the approval of, and material revisions to, equity compensation plans. As permitted under Bermuda law and our bye-laws, we do not seek shareholder approval prior to issuances of authorized stock or the approval of and material revisions to equity compensation plans.
- *Corporate Governance Guidelines.* The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation of the Board. We are not required to adopt such guidelines under Bermuda law and we have not adopted such guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable

ITEM 18. FINANCIAL STATEMENTS

The financial statements beginning on page [F-1](#) through [F-30](#), together with the respective report of the Independent Registered Public Accounting firm therefore, are filed as a part of this annual report.

Index to Consolidated Financial Statements of FLEX LNG Ltd.	E-1
Report of Independent Registered Public Accounting Firm (<i>PCAOB ID: 1572</i>)	F-2
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019	F-3
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019	F-4
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-6
Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019	F-8
Notes to the Consolidated Financial Statements	F-9

ITEM 19. EXHIBITS

- 1.1 [Memorandum of Continuance of FLEX LNG Ltd.*](#)
- 1.2 [Bye-laws of FLEX LNG Ltd.*](#)
- 2.1 [Form of Ordinary Share Certificate*](#)
- 2.2 [Description of Securities registered Pursuant to Section 12 of the Securities Exchange Act of 1934](#)
- 4.1 [Flex Rainbow Sale and Leaseback Agreement*](#)
- 4.2 [Flex Endeavour Sale and Time Charter Agreement*](#)
- 4.3 [Flex Enterprise Sale and Time Charter Agreement*](#)
- 4.6 [Memorandum of Agreement for the Flex Freedom*](#)
- 4.9 [Memorandum of Agreement for the Flex Vigilant*](#)
- 4.10 [Memorandum of Agreement for the Flex Volunteer*](#)
- 4.11 [\\$100 Million Facility*](#)
- 4.12 [\\$629 Million Term Loan Facility*](#)
- 4.13 [\\$250 Million Term Loan Facility*](#)
- 4.14 [Flex Amber Sale and Leaseback Agreement *](#)
- 4.15 [\\$125 Million Facility*](#)
- 4.16 [Flex Volunteer Sale and Leaseback Agreement**](#)
- 8.1 [List of Subsidiaries](#)
- 12.1 [Certification of the Principal Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended](#)
- 12.2 [Certification of the Principal Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended](#)
- 13.1 [Principal Executive Officer Certifications pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2 [Principal Financial Officer Certifications pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1 [Consent of Independent Registered Public Accounting Firm](#)

* Previously filed

** Portions of this exhibit have been omitted.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

FLEX LNG Ltd.
(registrant)

By: /s/ Oystein Kalleklev

Name: Oystein Kalleklev

Title: Chief Executive Officer of Flex LNG Management AS
(Principal Executive Officer of FLEX LNG Ltd.)

Date: March 17, 2022

FLEX LNG LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019	F-3
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019	F-4
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-6
Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019	F-8
Notes to the Consolidated Financial Statements	F-9

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of FLEX LNG Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FLEX LNG Ltd. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young AS

We have served as the Company's auditor since 2007.

Oslo, Norway

March 17, 2022

FLEX LNG Ltd.**Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019**

<i>(in thousands of \$, except per share data)</i>	2021	2020	2019
Revenues			
Vessel operating revenues	343,448	164,464	119,967
Operating expenses			
Voyage expenses	(3,334)	(3,697)	(6,284)
Vessel operating expenses	(61,237)	(36,999)	(22,423)
Administrative expenses	(7,887)	(6,302)	(7,506)
Depreciation	(69,833)	(41,846)	(28,747)
Operating income	201,157	75,620	55,007
Other income/(expenses)			
Interest income	41	327	1,073
Interest expense	(56,221)	(41,805)	(33,875)
Write-off of debt issuance costs	(1,209)	—	(3,388)
Gain/(loss) on derivatives	18,399	(25,182)	(1,555)
Other financial items	137	(771)	(113)
Income before tax	162,304	8,189	17,149
Income tax expense	(99)	(84)	(182)
Net income	162,205	8,105	16,967
Earnings per share:			
- Basic and Diluted	3.04	0.15	0.31

The accompanying notes are an integral part of these consolidated financial statements.

FLEX LNG Ltd.**Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019**

<i>(in thousands of \$)</i>	2021	2020	2019
Net income for the year	162,205	8,105	16,967
Other comprehensive income/(loss)	—	—	—
Total comprehensive income	162,205	8,105	16,967

The accompanying notes are an integral part of these consolidated financial statements.

FLEX LNG Ltd.
Consolidated Balance Sheets as of December 31, 2021 and 2020

<i>(in thousands of \$, except share data)</i>	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	200,652	128,878
Restricted cash	518	84
Inventory	6,453	3,656
Receivables due from related parties	228	166
Other current assets	17,040	25,061
Total current assets	224,891	157,845
Non-current assets		
Derivative instruments	5,862	109
Vessel purchase prepayments	—	289,600
Vessels and equipment, net	2,342,165	1,856,461
Other fixed assets	3	5
Total non-current assets	2,348,030	2,146,175
Total Assets	2,572,921	2,304,020
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	(81,472)	(64,466)
Derivative instruments	(4,764)	(23,434)
Payables due to related parties	(348)	(312)
Accounts payable	(2,016)	(3,373)
Other current liabilities	(42,987)	(40,247)
Total current liabilities	(131,587)	(131,832)
Non-current liabilities		
Long-term debt	(1,551,947)	(1,337,013)
Total non-current liabilities	(1,551,947)	(1,337,013)
Total liabilities	(1,683,534)	(1,468,845)
Equity		
Share capital (2021: 54,110,584 shares issued (2020: 54,110,584), par value \$0.10 per share)	(5,411)	(5,411)
Treasury shares at cost (December 31, 2021: 980,000 shares repurchased (December 31, 2020: 202,797))	9,449	1,661
Additional paid in capital	(1,189,060)	(1,190,333)
Accumulated deficit	295,635	358,908
Total equity	(889,387)	(835,175)
Total Liabilities and Equity	(2,572,921)	(2,304,020)

The accompanying notes are an integral part of these consolidated financial statements.

FLEX LNG Ltd.
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019

<i>(in thousands of \$)</i>	2021	2020	2019
Operating activities			
Net income	162,205	8,105	16,967
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	69,833	41,846	28,747
Write-off of debt issuance costs	1,209	—	3,388
Amortization of debt issuance costs	4,937	2,398	1,149
Share-based payments	(1,273)	284	324
Foreign exchange loss/(gain)	179	1,246	(42)
Change in fair value of derivative instruments	(24,423)	21,575	1,749
Other	(4,404)	4,804	8
<i>Changes in operating assets and liabilities, net:</i>			
Inventory	(2,797)	(970)	(1,771)
Trade accounts receivable, net	(1,220)	1,375	(5,425)
Accrued income	(981)	(3,490)	(510)
Prepaid expenses	8,857	(8,556)	(2,270)
Other receivables	1,365	(2,599)	(893)
Receivables due from related parties	(62)	149	1,405
Payables due to related parties	36	216	(110)
Accounts payable	(1,357)	2,791	(10)
Accrued expenses	(1,406)	7,086	472
Deferred charter revenue	1,532	12,766	10,016
Other current liabilities	2,844	48	(6)
Provisions	(230)	230	(1,662)
Net cash provided by operating activities	214,844	89,304	51,526
Investing activities			
Purchase of other fixed assets	(4)	(3)	(10)
Vessel purchase prepayments	—	(125,800)	—
Purchase of vessels and equipment	(265,930)	(565,590)	(291,532)
Net cash used in investing activities	(265,934)	(691,393)	(291,542)
Financing activities			
Purchase of treasury shares	(7,788)	(1,661)	—
Repayment of long-term debt	(72,186)	(35,600)	(29,456)
Drawdown of revolving credit facilities	340,266	48,684	—
Repayment of revolving credit facilities	(297,895)	(49,342)	(50,000)
Prepayment of long-term debt	(120,313)	—	(294,000)
Proceeds from long-term debt	383,290	669,600	697,879
Financing costs	(3,339)	(17,542)	(5,014)
Cash dividends paid	(98,932)	(10,818)	(5,411)
Net cash provided by financing activities	123,103	603,321	313,998
Effect of exchange rate changes on cash	195	(1,368)	19
Net increase/(decrease) in cash, cash equivalents and restricted cash	72,208	(136)	74,001
Cash, cash equivalents and restricted cash at the beginning of the period	128,962	129,098	55,097
Cash, cash equivalents and restricted cash at the end of the period	201,170	128,962	129,098

Supplemental Information

Interest paid	(49,002)	(37,075)	(35,955)
Income tax paid	(145)	(176)	(58)

The accompanying notes are an integral part of these consolidated financial statements.

FLEX LNG Ltd.

Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019

<i>(in thousands of \$, except number of shares)</i>	2021	2020	2019
Number of shares issued and outstanding			
Balance at beginning of year	53,907,787	54,110,584	54,099,929
Shares issued	—	—	10,655
Treasury shares purchased	(777,203)	(202,797)	—
Balance at end of year	53,130,584	53,907,787	54,110,584
Share capital			
Balance at beginning of year	5,411	5,411	5,410
Shares issued	—	—	1
Balance at end of year	5,411	5,411	5,411
Treasury shares			
Balance at beginning of year	(1,661)	—	—
Shares repurchased	(7,788)	(1,661)	—
Balance at end of year	(9,449)	(1,661)	—
Additional paid in capital			
Balance at beginning of year	1,190,333	1,190,049	1,189,665
Shares issued	—	—	125
Share-based payments	(1,273)	284	259
Balance at end of year	1,189,060	1,190,333	1,190,049
Accumulated deficit			
Balance at beginning of year	(358,908)	(356,195)	(367,751)
Net income	162,205	8,105	16,967
Dividends paid	(98,932)	(10,818)	(5,411)
Balance at end of year	(295,635)	(358,908)	(356,195)
Total equity	889,387	835,175	839,265

FLEX LNG Ltd.
Notes to Consolidated Financial Statements
(in thousands of \$, unless otherwise stated)

1. GENERAL

FLEX LNG Ltd. ("FLEX LNG" or the "Company") is a limited liability company incorporated in Bermuda. The Company is currently listed on the Oslo and New York Stock Exchanges under the symbol "FLNG". The Company's activities are focused on seaborne transportation of liquefied natural gas ("LNG") through the ownership and operation of fuel efficient, fifth generation LNG carriers. As of December 31, 2021, the Company has 13 LNG carriers in operation (our "Fleet").

Our Fleet consists entirely of modern, next generation, large LNG carriers with two stroke engines: nine vessels with M-type Electronically Controlled Gas Injection ("MEGI"); and four vessels with Generation X Dual Fuel propulsion systems. Three of our MEGI vessels are equipped with Full Re-liquefaction Systems and four of our MEGI vessels are equipped with Partial Re-liquefaction Systems, which reduces the active boil off rates achieved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

Reporting Currency and Presentation Currency

The Company's presentation and reporting currency is USD. The Company's primary economic environment is the international shipping market in which revenues are primarily settled in USD. The Company's most significant assets and liabilities are also paid for and settled in USD. Our expenses, however, are in the currency invoiced by each supplier.

Foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Monetary items are translated 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.

Basis of Consolidation

The Company's consolidated financial statements comprise FLEX LNG and its directly wholly owned subsidiaries. Details on the Company's significant subsidiaries are provided in Note 4.

Intra-group transactions and balances, including internal profits and unrealized gains and losses, have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, the following: fair value of derivative instruments; initial dry-dock cost; vessel impairment assessment; and the expected useful lives of our vessels. Actual results could differ from those estimates.

Fair Value Measurements

The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgment is required in establishing fair values. Changes in these assumptions could impact the reported fair value, as detailed in Note 16.

Segment Reporting

Our chief operating decision maker ("CODM") measures performance based on our overall return to shareholders based on consolidated net income. Although separate vessel financial information is available, the CODM internally evaluates the performance of the Company as a whole and not on the basis of separate business units or different types of charters. As a result, the Company has determined that it operates as one reportable segment. Since the Company's vessels regularly move between countries in international waters over many trade routes, it is neither practical nor meaningful to assign revenues or earnings from the transportation of international LNG by geographic area.

For the year ended December 31, 2021, we derived our operating revenues from fifteen customers, with our top four customers accounting for 20.8%, 16.6%, 15.3% and 13.4% of our consolidated revenues, equivalent to 66.1% of our consolidated revenues. During this period, no other customer accounted for over 10% of our consolidated revenues.

For the year ended December 31, 2020, we derived our operating revenues from fifteen customers, with our top three customers accounting for 28.6%, 28.6% and 11.9% of our consolidated revenues, equivalent to 69.1% of our consolidated revenues. During this period, no other customer accounted for over 10% of our consolidated revenues.

Accounting for Revenue and Related Expenses

The Company employs all of its vessels on time charter contracts, which the Company has established to contain a lease since the vessel is a specified asset, the charterer has the right to direct the use of the vessel and there are no substantive substitution rights. Revenue from time charter contracts are recognized as operating leases under ASC 842 *Leases*. The Company receives a fixed or variable, indexed on market rates, charter hire per day of on-hire whereby revenue is recognized and recorded on an accrual basis over the term of the charter as service is provided, including option periods if reasonably certain to be exercised.

If the Company receives a lump sum re-positioning fee or fixed ballast bonus, which is probable at the commencement of the lease, this is recognized as part of the lease payments over the course of the time charter on a straight-line basis at the commencement of the lease.

If the Company receives a lump sum ballast bonus, which is not probable at the commencement of the lease, then this is recognized as a variable lease payment from the date that the change in facts and circumstances occur. The variable lease payment is therefore recognized on a straight line basis from the date that the re-delivery port is declared and probability of occurrence is determined, to the date of arrival at the re-delivery port.

If there is an option under a charter party for the lessee to extend the charter, the Company will assess the likelihood of the charterer exercising the extension option at inception of the lease in order to determine the lease term. If the option period is not included in the initial lease term and the charterer declares such option, the Company will consider the declaration of an option as a lease modification. The Company will remeasure the total minimum lease payments from the date of declaration of the option, adjusted for any prepaid or accrued rent from the original contract, and recognize this on a straight line basis to the date of arrival at the re-delivery port.

Under a time charter agreement, the Company is responsible for both the operation and maintenance of the vessel which would be considered to be a non-lease performance obligation. The Company has chosen to elect the practical expedient of ASC 842 to not separate the lease and non-lease components and instead combine these as a single performance obligation as the Company considers the lease component to be the predominant component of the contract, for which ASC 842 will be applied.

Costs incurred during the leasing period for the maintenance and operation of the vessels are expensed as incurred as the timing and pattern of transfer of the components are identical to the operating lease revenue earned from the charter hire.

Trade Accounts Receivables

Trade receivables are presented net of allowance for doubtful balances. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

Lease

The Company assesses whether a contract contains a lease at inception of the contract. The assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. The Company does not separate lease components from non-lease components as lessee. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The standard provides practical expedients for an entity's ongoing accounting. The Company has elected the short-term lease recognition exemption for leases that qualify, meaning that the Company does not recognize Right Of Use assets or lease liabilities for these leases where the Company is the lessee.

Interest Expense

Interest expenses are expensed as incurred except for interest expenses that are capitalized for qualifying assets that require a period of time to get them ready for their intended use. Interest expenses are capitalized until the qualifying asset is ready for use. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

If the Company's financing plans associate a specific borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the Company.

Income Taxes

Income taxes are provided for based upon the tax laws and rates in effect in the countries in which the Company's ocean-going LNG carriers' operations were conducted and income was earned. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax in effect at the year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized (Note 6). Recognition of uncertain tax positions is dependent upon whether it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If a tax position meets the more-likely-than-not recognition threshold, it is measured to determine the amount of benefit to recognize in the financial statements based on U.S. GAAP guidance. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Vessels

Vessels are carried at historical cost less accumulated depreciation and impairment adjustments, if any.

The depreciation on vessels is 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 the vessel is the purchase price, including duties/taxes, borrowing costs and any other direct costs attributable to bringing it to the location and condition necessary for the vessels intended use. Capitalization of costs will cease once the vessel 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 segregated 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 recognized in the income statement as incurred.

Each vessel is required to be dry-docked every five years. The Company capitalizes costs associated with the dry-docking in accordance with ASC Topic 360 *Property, Plant and Equipment* and amortizes these costs on a straight-line basis over the period to the next expected dry-docking. Amortization of dry-docking costs is included in depreciation in the Income Statement. The Company has adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking. Dry-docking costs are included within operating activities on the statement of cash flows.

The cost of the vessel, less their estimated residual value, is depreciated on a straight-line basis over the asset's estimated useful economic life. The residual value for owned vessels is calculated by multiplying the lightweight tonnage of the vessel by the estimated scrap value per tonne. The cost of dry-dock is depreciated on a straight-line basis over the assets estimated useful life. The following useful lives have been used:

Vessels: 35 years

Dry-docking: 5 years

Impairment of Long-lived Assets

The carrying values of long-lived assets held and used by the Company are reviewed quarterly or whenever events or circumstances indicate that the carrying amount of an asset may no longer be recoverable. If such impairment indicators are present, the Company assesses the recoverability of the carrying value of each asset or newbuilding on an individual basis by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposal. In developing estimates of future undiscounted cash flows, the Company must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, dry-docking requirements, residual values and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. If the future net undiscounted cash flows are less than the carrying value of the asset, or the current carrying value plus future newbuilding commitments, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

Vessel Purchase Prepayments

Vessel purchase prepayments relate to amounts advanced under vessel purchase agreements or deposited as part of a pre-positioning of payments due on vessels and equipment, net, where title of the vessel does not transfer to the Company until the date of delivery.

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.

Cash and Cash Equivalents

Cash includes cash in hand and in the Company's bank accounts. Cash equivalents are short-term liquid investments with original maturities of three months or less.

Restricted Cash

Restricted cash consists of cash, which may only be used for certain purposes and is held under a contractual arrangement. The cash is restricted by law for the Norwegian tax authorities in relation to social security tax and personal income tax of employees in the Company's subsidiary, Flex LNG Management AS, and is settled every second month.

Debt Issuance Costs

Direct incremental costs relating to obtaining a loan are deferred and amortized over the term of the loan using the effective interest rate method. Amortization of debt issuance costs is included under interest expense. The Company has recorded debt issuance costs as a direct reduction from the carrying amount of the related debt in the balance sheet.

Derivative Instruments

Our derivative instruments relate to interest-rate swaps, which are considered to be an economic hedge. However, these have not been designated as hedges for accounting purposes. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. The fair value of the interest rate swap contracts are recognized as assets or liabilities. Changes in the fair value of these derivatives are recorded in gain/(loss) on derivatives in our consolidated statement of operations. Cash outflows and inflows resulting from economic derivative contracts are presented as cash flows from operations in the consolidated statement of cash flows.

Share-based Compensation

The Company accounts for share-based payments in accordance with ASC Topic 718 *Compensation - Stock Compensation*, under which the fair value of issued stock options is expensed over the period in which the options vest under the simplified method. Share-based compensation represents the cost of vested and non-vested shares and share options granted to employees and directors for their services, and are included in administrative expenses in the consolidated statements of operations. The fair value of share options grants is determined with reference to option pricing models, and depends on the terms of the granted options. The fair value is recognized as compensation expense over the requisite service period.

Earnings Per Share

Basic earnings per share ("EPS") are computed based on the income available to ordinary shareholders divided by the weighted average number of shares outstanding. Diluted EPS is computed by dividing the net income available to ordinary shareholders by the weighted average number of ordinary shares and dilutive ordinary share equivalents then outstanding. If in the period there is a loss, then any potential ordinary shares have been excluded from the calculation of diluted loss per share.

Treasury Shares

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares, pending future use. If the Company acquires and retains treasury shares, the consideration paid is directly recognized in equity. The weighted average treasury shares reduce the number of shares outstanding used in calculating earnings per share and they have a dilutive effect on the diluted earnings per share.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2020-04, "*Reference Rate Reform (Topic 848)*" ("ASU 2020-04"), which provides optional guidance intended to ease the potential burden in accounting for the expected discontinuation of the London Interbank Offered Rate ("LIBOR") as a reference rate in the financial markets. The guidance can be applied to modifications made to certain contracts to replace LIBOR with a new reference rate. The guidance, if elected, will permit entities to treat such modifications as the continuation of the original contract, without any required accounting reassessments or remeasurements. In addition, in January 2021, the FASB issued another ASU (ASU No. 2021-01) with respect to the *Reference Rate Reform (Topic 848)*. The amendments in this Update clarify that certain optional expedients and exceptions in *Topic 848* for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU 2020-4 was effective for the Company beginning on March 12, 2020 and the Company will apply the amendments prospectively through December 31, 2022. As of December 31, 2021, the Company has not made any contract modification to replace the reference rate in any of its agreements and had evaluated that there was no impact to its consolidated financial statements.

The Company has reviewed all other recent issued accounting pronouncements and has not identified other standards that would have a material impact on the Company's current accounting policies.

4. SIGNIFICANT SUBSIDIARIES

As of December 31, 2021, the Company had the following significant subsidiaries:

Company	Country of registration	Main operations	Ownership share	Voting share
Flex LNG Chartering Limited	United Kingdom	Chartering services	100%	100%
Flex LNG Management AS	Norway	Management services	100%	100%
Flex LNG Bermuda Management Limited	Bermuda	Management services	100%	100%
Flex LNG Management Limited	Isle of Man	Management services	100%	100%
Flex LNG Fleet Limited	Bermuda	Holding company	100%	100%
Flex LNG Endeavour Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Enterprise Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Ranger Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Rainbow Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Constellation Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Courageous Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Aurora Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Amber Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Resolute Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Reliance Limited	Marshall Islands	Shipping	100%	100%
Flex Freedom Limited	Marshall Islands	Shipping	100%	100%
Flex Vigilant Limited	Marshall Islands	Shipping	100%	100%
Flex Volunteer Limited	Marshall Islands	Shipping	100%	100%

5. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of ordinary shares issued and outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income by the weighted average number of shares issued and 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. If in the period there is a loss then any potential ordinary shares have been excluded from the calculation of diluted loss per share.

The following reflects the net income and share data used in the earnings per share calculation.

<i>(in thousands of \$, except share data)</i>	2021	2020	2019
Net income	162,205	8,105	16,967
Weighted average number of ordinary shares	53,319,408	54,099,504	54,106,171
Share options	20,884	174,689	141,000
Weighted average number of shares, adjusted for dilution	53,340,292	54,274,193	54,247,171
Earnings per share			
- Basic and diluted	3.04	0.15	0.31
Dividends declared per share			
	1.85	0.20	0.10

6. INCOME TAX

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

United States

For the years ended December 31, 2021 and 2020, the Company did not accrue U.S. income taxes because the Company was able to satisfy the requirements of the exemption from gross basis tax under Section 883 of the U.S. Internal Revenue Code. Under Section 863(c)(2)(A) of the Internal Revenue Code, 50% of all transportation revenue attributable to transportation which begins or ends in the United States shall be treated as from sources within the United States where no Section 883 exemption is available. Such revenue is subject to 4% tax. For the year ended December 31, 2021, 2020 and 2019, the Company accrued federal income tax of \$nil, \$nil and \$nil respectively.

Other Jurisdictions

Certain of the Company's subsidiaries in Norway and the United Kingdom are subject to income tax in their respective jurisdictions. The taxes paid by subsidiaries of the Company that are subject to income tax have been disclosed in the tables below.

The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes. The Norwegian income tax returns could be subject to examination by Norwegian tax authorities going back ten years or more. In the United Kingdom, the tax authorities can investigate as far back as 20 years if they suspect tax evasion. More commonly, the United Kingdom may investigate for (i) careless tax returns for up to six years and (ii) innocent errors for up to four years. In the United States, the Internal Revenue Service ("IRS") may audit tax returns filed within the last three years. If the IRS identifies a substantial error, the IRS may add additional years, which in most cases does not extend beyond six years.

None of FLEX LNG or its subsidiaries is undergoing tax audits in any applicable tax jurisdictions. The table below shows the components of income tax year ended December 31, 2021, 2020 and 2019:

<i>(in thousands of \$)</i>	2021	2020	2019
Current income tax expense	(71)	(89)	(118)
Adjustments in respect of current income tax of previous years	(28)	5	(64)
Income tax expense reported in the income statement	(99)	(84)	(182)

A reconciliation between the tax expense and the product of the accounting profit multiplied by the Bermuda domestic tax rate for the year ended December 31, 2021, 2020 and 2019 is as follows:

<i>(in thousands of \$)</i>	2021	2020	2019
Income before tax	162,304	8,189	17,149
Income tax at 0% (2020: 0% (2019: 0%))	—	—	—
Effect of higher foreign tax rates	(99)	(84)	(182)
Income tax expense at effective rate of 0.1% (2020: 1.0% (2019: 1.1%))	(99)	(84)	(182)

7. VESSEL PURCHASE PREPAYMENTS

<i>(in thousands of \$)</i>	2021	2020
At January 1	289,600	349,472
Deposits to vessel purchase prepayments	—	125,800
Transfers to vessels and equipment, net	(289,600)	(185,672)
At December 31	—	289,600

Between July and October 2020, we transferred an aggregate of \$(185.7) million from Vessel purchase prepayments to Vessels and equipment, net upon the delivery of; *Flex Aurora*, *Flex Artemis*, *Flex Resolute* and *Flex Amber*.

In December 2020, the Company recognized deposits of \$125.8 million in connection with the final payment due upon the delivery of our eleventh LNG carrier, *Flex Freedom*.

In January 2021, \$181.6 million was reclassified from Vessel purchase prepayments to Vessels and equipment, net upon the delivery of our eleventh LNG carrier, *Flex Freedom*.

In January 2021, \$54.0 million was reclassified from Vessel purchase prepayments to Vessels and equipment, net upon the delivery of our twelfth LNG carrier, *Flex Volunteer*.

In May 2021, \$54.0 million was reclassified from Vessel purchase prepayments to Vessels and equipment, net upon the delivery of our thirteenth LNG carrier, *Flex Vigilant*.

8. VESSELS AND EQUIPMENT, NET

The table below summarizes the vessels and equipment, net applicable to the Company:

<i>(in thousands of \$)</i>	Vessels and equipment	Dry- docking	Total
Cost			
At December 31, 2019	1,178,415	15,000	1,193,415
Additions	(121)	—	(121)
Newbuildings	741,147	10,000	751,147
At December 31, 2020	1,919,441	25,000	1,944,441
Additions	180	—	180
Newbuildings	547,849	7,500	555,349
At December 31, 2021	2,467,470	32,500	2,499,970
Accumulated depreciation			
At December 31, 2019	(42,211)	(3,930)	(46,141)
Charge	(38,159)	(3,680)	(41,839)
At December 31, 2020	(80,370)	(7,610)	(87,980)
Charge	(63,553)	(6,272)	(69,825)
At December 31, 2021	(143,923)	(13,882)	(157,805)
Net book value			
At December 31, 2019	1,136,204	11,070	1,147,274
At December 31, 2020	1,839,071	17,390	1,856,461
At December 31, 2021	2,323,547	18,618	2,342,165

The net book value of vessels that serve as collateral for the Company's long-term debt (Note 15) was \$2,342.2 million as of December 31, 2021 (2020: \$1,856.5 million). The net book value of the vessels *Flex Rainbow*, *Flex Enterprise*, *Flex Endeavour*, *Flex Amber* and *Flex Volunteer* further referred to in Note 15 was \$903.2 million as of December 31, 2021.

9. OTHER CURRENT ASSETS

As of December 31, 2021 and 2020, other current assets within the Consolidated Balance Sheets is comprised of:

<i>(in thousands of \$)</i>	2021	2020
Trade accounts receivable, net	5,270	4,050
Accrued income	7,005	6,024
Prepaid expenses	2,487	11,344
Other receivables	2,278	3,643
Total other current assets	17,040	25,061

Trade accounts receivables are presented net of allowances for doubtful accounts amounting to \$nil as of December 31, 2021 (2020: \$nil).

10. OTHER CURRENT LIABILITIES

As of December 31, 2021 and 2020, other current liabilities within the Consolidated Balance Sheets is comprised of:

<i>(in thousands of \$)</i>	2021	2020
Accrued expenses	(12,607)	(14,013)
Deferred charter revenue	(26,873)	(25,341)
Other current liabilities	(2,901)	(57)
Provisions	(606)	(836)
Total other current liabilities	(42,987)	(40,247)

11. RESTRICTED CASH

The Company has \$0.5 million of restricted cash as of December 31, 2021 (2020: \$0.1 million). This is restricted by law for the Norwegian tax authorities in relation to social security of employees.

12. SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL

<i>(in thousands of \$, except share data)</i>	Shares outstanding	Share Capital	Treasury shares	Additional paid in capital
Ordinary shares - issued and fully paid:				
At December 31, 2019	54,110,584	5,411	—	1,190,049
Shares repurchased	(202,797)	—	(1,661)	—
Share-based payments	—	—	—	284
At December 31, 2020	53,907,787	5,411	(1,661)	1,190,333
Shares repurchased	(777,203)	—	(7,788)	—
Share-based payments	—	—	—	(1,273)
At December 31, 2021	53,130,584	5,411	(9,449)	1,189,060

On November 19, 2020, the Company's Board of Directors authorized a share buy-back program of up to an aggregate of 4,110,584 of the Company's ordinary shares for the purpose of increasing shareholder value. The maximum amount to be paid per share was \$10.00, or equivalent in NOK if bought at the Oslo Stock Exchange. The Company was not obligated under the terms of the program to repurchase any of its ordinary shares.

The program ended in November 2021. The Company had repurchased an aggregate of 980,000 ordinary shares, equivalent 1.8%, of the total issued ordinary shares. The shares are held as treasury shares, and have been purchased at a weighted average price of NOK 83.13, or \$9.64 per share.

In November 2021, 105,000 and 15,000 share options held by management, which vested in the period September 2018 to September 2021 (the "September 2018 tranche") and April 2020 to April 2021 (the "April 2020 tranche") respectively were exercised. The Company paid an aggregate amount of \$1.3 million in settlement, recorded to additional paid in capital.

13. SHARE-BASED PAYMENTS

On September 7, 2018, the Company's Board of Directors approved a Share Option Scheme. The Share Option Scheme permits the Board of Directors, at its discretion, to grant options to acquire shares in the Company to employees and directors of the Company or its subsidiaries. The exercise price for all options granted under the scheme is reduced by the amount of all dividends declared by the Company (the "Adjusted Exercise Price") in the period from the date of grant until the date the option is exercised, provided the Adjusted Exercise Price is never reduced below the par value of the share. The vesting periods of options granted under the Share Option Scheme will be specific to each grant. There is no maximum number of shares authorized for awards of equity share options and authorized, unissued or treasury shares of the Company may be used to satisfy exercised options. When a share option is exercised, the Board of Directors can use their right, according to the By-laws, to issue new shares or if the Company has treasury shares these can also be used.

As of December 31, 2021, the Company had the following share options outstanding:

	Grant date	Share options	Initial Exercise Price (\$)	Vesting date	Assumptions used ⁽¹⁾	
					Risk-free interest rate	Expected Volatility
April 2020 Tranche	Apr-20	15,000	7.60	Apr-22	0.39 %	48.8 %
April 2020 Tranche	Apr-20	15,000	10.20	Apr-23	0.39 %	48.8 %
August 2021 Tranche	Aug-21	146,250	14.00	Sep-22	0.82 %	4.8 %
August 2021 Tranche	Aug-21	204,750	15.60	Sep-23	0.82 %	4.8 %
August 2021 Tranche	Aug-21	234,000	17.20	Sep-24	0.82 %	4.8 %
Total		615,000				

⁽¹⁾ The fair value of the share options was calculated using these assumptions as of the grant date using the Black-Scholes option valuation model. The risk-free interest rate was estimated using the interest rate on five-year US treasury rate. The volatility was estimated using historical volatility of share price data. The dividend yield has been estimated at 0% as the exercise price is reduced by all dividends declared by the Company from the date of grant to the exercise date. It was assumed that all of the options granted in April 2020 and August 2021 Tranches will vest and therefore no forfeitures were assumed. The effect of forfeitures is recognized as incurred.

The following table summarizes the unvested option activity for the year ended December 31, 2021, 2020 and 2019:

	Number of non-vested options	Number of vested options	Weighted average exercise price per share (\$)	Weighted average remaining contractual term (years)	Weighted average grant date fair value (\$)
At December 31, 2019 ⁽¹⁾	94,000	47,000	14.90	3.6	15.00
Granted during the year ⁽²⁾	45,000	—	7.63	5.0	7.63
Exercised during the year ⁽²⁾	—	—	—	0.0	—
Forfeited during the year ⁽²⁾	—	—	—	0.0	—
Expired during the year ⁽²⁾	—	—	—	0.0	—
Vested during the year	(47,000)	47,000	—	0.0	15.00
At December 31, 2020 ⁽¹⁾	92,000	94,000	11.61	3.0	13.17
Granted during the year ⁽²⁾	585,000	—	15.84	4.8	15.84
Exercised during the year ⁽²⁾	—	(120,000)	(11.78)	0.0	(13.15)
Forfeited during the year ⁽²⁾	(12,000)	(24,000)	(16.12)	0.0	(17.05)
Expired during the year ⁽²⁾	—	—	—	0.0	—
Vested during the year	(50,000)	50,000	—	0.0	11.54
At December 31, 2021 ⁽¹⁾	615,000	—	14.31	4.8	15.50

(1) The weighted average exercise price has been adjusted by the amount of all dividends declared by the Company in the period, from the date of grant until the date the option is exercised.

(2) Numbers, years and per share amounts are stated as of the grant, exercise, forfeiture or expired date.

In November 2021, 105,000 and 15,000 share options held by management, under the September 2018 Tranche and the April 2020 Tranche, were exercised. The grant date exercise price of the September 2018 Tranche was \$14.30 per share, which was adjusted to \$12.90 due to \$1.40 dividends paid per share since the options were granted. The grant date exercise price of the April 2020 Tranche was \$5.10 per share, which was adjusted to \$3.90 due to \$1.20 dividends paid per share since the options were granted. The stock options were settled in cash being the difference of Adjusted Exercise Prices and the closing price at the NYSE on November 17, 2021 of \$22.78. The Company paid an aggregate amount of \$1.3 million in settlement, which was recorded to additional paid in capital.

As of December 31, 2021, there was \$0.6 million (2020: \$0.2 million (2019: \$0.7 million)) in unrecognized stock compensation expense related to non-vested options. In the year ended December 31, 2021, stock option compensation expense of \$0.0 million was recognized within administrative expenses (2020: \$0.3 million (2019: \$0.2 million)).

14. FINANCIAL INSTRUMENTS

Derivative instruments that economically hedge exposures are used for risk management purposes, but these instruments are not designated as hedges for accounting purposes.

Credit risk is the failure of the counterparty to perform under the terms of the derivative instrument. When the fair value of a derivative instrument is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative instrument is negative, the Company owes the counterparty, and, therefore, the Company is not exposed to the counterparty's credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with major banking and financial institutions. The derivative instruments entered into by the Company do not contain credit risk-related contingent features. The Company has not entered into master netting agreements with the counterparties to its derivative financial instrument contracts.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates, currency exchange rates or commodity prices. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company assesses interest rate risk by monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating economical hedging opportunities.

As of December 31, 2021 the Company has a total of 17 interest rate swap transactions (2020: 18). This is to reduce the risk associated with fluctuations in interest rates, whereby LIBOR on an amortized notional principal of \$677.8 million as per December 31, 2021 (2020: \$759.1 million), has been swapped to a fixed rate.

Our interest rate swap contracts as of December 31, 2021 are summarized as follows:

<i>(in thousands of \$)</i>	Notional principal	Inception date	Maturity date	Fixed Interest Rate
Receiving floating, pay fixed	50,000	June 2019	June 2024	2.15 %
Receiving floating, pay fixed	50,000	June 2019	June 2024	2.15 %
Receiving floating, pay fixed	75,000	June 2020	June 2025	1.39 %
Receiving floating, pay fixed	50,000	July 2020	July 2025	1.38 %
Receiving floating, pay fixed	25,000	July 2020	July 2025	1.38 %
Receiving floating, pay fixed	75,000	July 2020	July 2025	1.43 %
Receiving floating, pay fixed	46,875	August 2020	August 2025	0.35 %
Receiving floating, pay fixed	23,438	August 2020	August 2025	0.35 %
Receiving floating, pay fixed	35,000	September 2020	September 2025	1.03 %
Receiving floating, pay fixed	25,000	September 2020	September 2025	1.22 %
Receiving floating, pay fixed	25,000	September 2020	September 2025	1.22 %
Receiving floating, pay fixed	25,000	September 2020	September 2025	0.37 %
Receiving floating, pay fixed	47,500	October 2020	October 2025	0.41 %
Receiving floating, pay fixed	25,000	September 2019	June 2024	1.38 %
Receiving floating, pay fixed	25,000	September 2019	June 2024	1.40 %
Receiving floating, pay fixed	50,000	June 2021	November 2025	0.74 %
Receiving floating, pay fixed	25,000	March 2021	June 2024	0.35 %

As of December 31, 2021, the Company recorded an asset of \$5.9 million (2020: \$0.1 million) and a liability of \$4.8 million (2020: \$23.4 million) in relation to these interest rate swaps. The Company recorded a gain on the interest rate swaps of \$18.4 million (2020: \$25.2 million loss) (2019: \$1.6 million loss) in the year.

15. SHORT-TERM AND LONG-TERM DEBT

Short and long-term debt for the company as of December 31, 2021 and 2020, is detailed in the table below:

<i>(in thousands of \$)</i>	2021	2020
U.S. dollar denominated floating rate debt		
\$250 Million Term Loan Facility	220,313	232,813
\$50 million term loan under \$100 Million Facility	44,080	46,711
<i>Flex Rainbow</i> Sale and Leaseback	131,906	139,781
\$629 Million Term Loan Facility	613,512	513,200
<i>Flex Amber</i> Sale and Leaseback	147,712	156,400
Total U.S. dollar floating rate debt	1,157,523	1,088,905
U.S. dollar denominated fixed rate debt		
Hyundai Glovis Sale and Charterback	271,381	283,643
<i>Flex Volunteer</i> Sale and Leaseback	159,448	—
Total U.S. dollar denominated fixed rate debt	430,829	283,643
U.S. dollar denominated revolving credit facilities		
\$70 million revolving tranche under \$100 Million Facility	64,080	46,711
Total U.S. dollar denominated revolving credit facilities	64,080	46,711
Total debt	1,652,432	1,419,259
<i>Less</i>		
Current portion of debt	(85,879)	(68,340)
Long-term portion of debt issuance costs	(14,606)	(13,906)
Long-term debt	1,551,947	1,337,013

Capital commitments relating to our long-term debt obligations as of December 31, 2021 as detailed in the table below:

<i>(in thousands of \$)</i>	
2022	85,879
2023	86,965
2024	363,354
2025	329,314
2026	79,716
Thereafter	707,204
Total	1,652,432

Flex Rainbow Sale and Leaseback

In July 2018, the Company, through its wholly-owned subsidiary, Flex LNG Rainbow Ltd., which owned the *Flex Rainbow*, entered into a sale leaseback transaction (the "*Flex Rainbow* Sale and Leaseback"), for the vessel with a Hong Kong-based lessor for a lease period of 10 years. The gross sales price under the lease was \$210 million, of which \$52.5 million represented advance hire for the 10 years lease period. The agreement includes fixed price purchase options, whereby we have the option to re-purchase the vessel at or after the second anniversary of the agreement, and on each anniversary thereafter, until the end of the lease period. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.50% per annum calculated on the outstanding under the lease. The facility includes a covenant that requires us to provide additional security, by way of a deposit, as necessary to maintain the fair market value of the vessel at not less than a specified percentage of the principal amount outstanding under the lease. As of December 31, 2021, the net outstanding balance under the lease was \$131.1 million (2020: \$138.8 million).

\$250 Million Term Loan Facility

In April 2019, the Company, through two of its vessel owning subsidiaries, entered into a \$250 million secured term loan facility (the "\$250 Million Term Loan Facility") with a syndicate of banks for the part financing of *Flex Constellation* and *Flex Courageous*. The first \$125 million tranche was drawn in June 2019 upon delivery of the *Flex Constellation*, and the remaining \$125 million tranche was drawn in August 2019 upon delivery of the *Flex Courageous*. The facility has a term of five years from delivery of the last vessel, *Flex Courageous*, and bears interest at LIBOR plus a margin of 2.35% per annum. As of December 31, 2021, the net outstanding balance under the facility was \$219.2 million (2020: \$230.9 million). The facility includes various financial covenants, as described below.

\$100 Million Facility

In July 2019, the Company, through one of its vessel owning subsidiaries, entered into a \$100 million term loan and revolving credit facility (the "\$100 Million Facility") with a syndicate of banks to refinance the vessel, *Flex Ranger*. The facility was divided into a \$50 million term loan and a \$50 million revolving credit facility. The full amount of \$100 million was drawn on July 19, 2019, and the proceeds were used to prepay the outstanding balance of \$99.8 million relating to the *Flex Ranger* under the existing \$315 million secured term loan facility (the "\$315 Million Term Loan Facility"). The facility has a term of five years and bears interest of LIBOR plus a margin of 2.25% per annum. The facility includes various financial covenants, as described below.

In March 2021, the Company signed an addendum to the \$100 Million Facility, whereby the revolving tranche under the facility was increased by \$20 million. The \$20 million increase is non-amortizing and bears interest at LIBOR plus a margin of 2.25% per annum for any drawn amounts.

As of December 31, 2021, the net outstanding balance under the facility was \$108.1 million (2020: \$93.3 million). The revolving tranche under the facility was fully drawn.

Hyundai Glovis Sale and Charterback

In April 2019, the Company, through two of its vessel owning subsidiaries, entered into sale and time charter agreements with Hyundai Glovis Co. Ltd. ("Hyundai Glovis") for the vessels *Flex Endeavour* and *Flex Enterprise* (the "Hyundai Glovis Sale and Charterback"). The transactions were executed at the end of July 2019, whereby the vessels were sold for a gross consideration of \$210 million per vessel, with a net consideration of \$150 million per vessel adjusted for a non-amortizing and non-interest bearing seller's credit of \$60 million per vessel. The vessels have been chartered back on a time-charter basis to the vessel owning subsidiaries for a period of ten years. The agreements include fixed price purchase options, whereby the Company will have annual options to acquire the vessels during the term of the time-charters with the first option exercisable on the third anniversary of closing of the transactions and the last option at expiry of the ten years charter periods. At the end of the ten years charter periods, Hyundai Glovis will have the right to sell the vessels back to the Company for a net consideration of \$75 million per vessel, net of the \$60 million seller's credit per vessel. As of December 31, 2021, the total net outstanding balance under the leases was \$269.5 million (2020: \$281.3 million).

\$629 Million Term Loan Facility

In February 2020, the Company, through five of its vessel owning subsidiaries, entered into a facility agreement with a syndicate of banks and the Export-Import Bank of Korea ("KEXIM") for a \$629 million financing for five newbuildings that were scheduled for delivery in 2020 (the "\$629 Million Term Loan Facility"). The facility is divided into a commercial bank loan of \$250 million (the "Commercial Loan"), a KEXIM guaranteed loan, funded by commercial banks, of \$189.1 million (the "KEXIM Guaranteed Loan") and a KEXIM direct loan of \$189.9 million (the "KEXIM Direct Loan"). The facility includes an accordion option of up to \$10 million per vessel subject acceptable long-term employment, which was utilized to increase the Commercial Loan on the *Flex Artemis* by \$10 million in July 2020.

The Commercial Loan bears interest at LIBOR plus a margin of 2.35% per annum and has a final maturity date being the earlier of (i) five years from delivery of the final vessel or (ii) November 30, 2025. The KEXIM Guaranteed Loan bears interest at LIBOR plus a margin of 1.2% per annum and the KEXIM Direct Loan at LIBOR plus a margin of 2.25% per annum. The KEXIM Guaranteed Loan has a term of 6 years from delivery of each vessel and the KEXIM Direct Loan a term of 12 years from delivery of each vessel, provided however that these loans will mature at the same time as the Commercial Loan if the Commercial Loan has not been refinanced at terms acceptable to the lenders. The facility includes various financial covenants, as described below.

In the year ended December 31, 2020, the Company drew down \$125.8 million in connection with the delivery of our seventh vessel, *Flex Aurora* and \$135.8 million in connection with the delivery of our eighth vessel, *Flex Artemis*. The Company utilized an option under the facility to replace the newbuilding *Flex Amber* with the sister vessel *Flex Vigilant*, delivered in the second quarter of 2021. Additionally, the Company drew down \$125.8 million in connection with the delivery of the Company's ninth vessel, *Flex Resolute* and \$125.8 million in connection with the delivery of the Company's eleventh vessel, *Flex Freedom*, which was delivered January 1, 2021.

In May 2021, the Company drew down \$123.3 million under the \$629 million Facility upon delivery of our thirteenth newbuilding LNG carrier, *Flex Vigilant*.

As of December 31, 2021, the net outstanding balance under the facility was \$602.1 million (2020: \$502.8 million).

Flex Amber sale and leaseback

In June 2020, the Company, through one of its vessel owning subsidiaries, entered into a sale and leaseback transaction with an Asian based leasing house for the vessel, *Flex Amber* (the "*Flex Amber* Sale and Leaseback"). Under the terms of the transaction, the vessel was sold for a gross consideration of \$206.5 million, with a net consideration to the Company of \$156.4 million, adjusted for an advance hire of \$50.1 million. The vessel has been chartered back on a bareboat basis for a period of ten years. The agreement includes fixed price purchase options, whereby the Company has options to re-purchase the vessel at or after the first anniversary of the agreement, and on each anniversary thereafter. At the end of the ten-year lease period, the Company has an obligation to purchase the vessel for a net purchase price of \$69.5 million. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.20% per annum calculated on the principal outstanding under the lease. The facility includes various financial covenants, as described below.

As of December 31, 2021, the net outstanding balance under the lease was \$146.0 million (2020: \$154.4 million).

\$125 Million Facility

In June 2020, the Company, through one of its vessel owning subsidiaries, entered into the \$125 Million Facility for the financing of the vessel, *Flex Volunteer*, which was delivered in January 2021. The facility was divided into a \$100 million term loan and a \$25 million revolving credit facility. The facility bears interest at LIBOR plus a margin of 2.85% per annum and has a term of five years from delivery of the vessel. The facility included various financial covenants, as described below. In

January 2021, the Company drew down \$100 million under the term loan tranche of the \$125 Million Facility upon delivery of our twelfth newbuilding LNG carrier, *Flex Volunteer*.

As of December 31, 2021, the outstanding balance of \$120.3 million under the \$125 Million Facility agreement was prepaid in full following the execution of the *Flex Volunteer* Sale and Leaseback, as further described below.

***Flex Volunteer* Sale and Leaseback**

In November 2021, the Company, through one of its vessel owning subsidiaries, entered into a sale and leaseback agreement with a Japanese based lessor for the vessel, *Flex Volunteer* (the "*Flex Volunteer* Sale and Leaseback"). The transaction was executed in December 2021, whereby the vessel was sold for a gross consideration of \$215.0 million, with a net consideration to the Company of \$160.0 million adjusted for a Charterers' down payment of \$55.0 million. The agreement is treated as a financing arrangement for accounting purposes, whereby the net consideration received is considered the financed amount. The vessel has been chartered back on a bareboat charter basis for a period of 10 years with a fixed daily rate of hire rate, split as interest and principal repayments. At the end of the ten year bareboat charter period, the Company has the right to buy and the lessor has the right to sell the vessel for a consideration of \$80.0 million. Upon closing of the transaction, a portion of the proceeds, \$120.3 million, was used to prepay the outstanding balances under the \$125 Million Facility, with the remaining balance of \$37.7 million after fees and expenses, available for general corporate purposes.

As of December 31, 2021, the net outstanding balance under the lease was \$157.4 million.

Loan covenants

Certain of our financing agreements discussed above, have, amongst other things, the following financial covenants, as amended or waived, which are tested quarterly, the most stringent of which require us (on a consolidated basis) to maintain:

- a book equity ratio of minimum 0.25 to 1.0;
- a positive working capital;
- minimum liquidity, including undrawn credit lines with a remaining term of at least six months, being the higher of: (i) \$25 million; and (ii) an amount equal to five percent (5%) of our total interest bearing financial indebtedness net of any cash and cash equivalents; and
- collateral maintenance test, ensuring that the aggregate value of the vessels making up the facility in question exceeds the aggregate value of the debt commitment outstanding.

As of December 31, 2021, all financial covenants have been met accordingly.

16. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The principal financial assets of the Company at December 31, 2021 and 2020, consist primarily of cash and cash equivalents, restricted cash, other current assets, receivables due from related parties and derivative instruments receivable. The principal financial liabilities of the Company consist of payables due to related parties, accounts payable, other current liabilities, derivative instruments payable and long-term debt.

The fair value measurements requirement applies to all assets and liabilities that are being measured and reported on a fair value basis. The assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company's cash and cash equivalents and restricted cash approximates their carrying amounts reported in the accompanying consolidated balance sheets.

The fair value of other current assets, receivables from related parties, payables due to related parties, accounts payable and other current liabilities approximate their carrying amounts reported in the accompanying consolidated balance sheets.

The fair value of floating rate debt has been determined using Level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly or semi-annual basis. Carrying value of the floating rate debt is shown net deduction of debt issuance cost, while fair value of floating rate debt is shown gross.

The fixed rate debt has been determined using Level 2 inputs being the discounted expected cash flows of the outstanding debt.

The following table includes the estimated fair value and carrying value of those assets and liabilities.

<i>(in thousands of \$)</i>	Fair value hierarchy level	2021 Carrying value of asset (liability)	2021 Fair value asset (liability)	2020 Carrying value of asset (liability)	2020 Fair value asset (liability)
Cash and cash equivalents	Level 1	200,652	200,652	128,878	128,878
Restricted cash	Level 1	518	518	84	84
Derivative instruments	Level 2	5,862	5,862	109	109
Derivative instruments	Level 2	(4,764)	(4,764)	(23,434)	(23,434)
Floating rate debt	Level 2	(1,206,522)	(1,221,603)	(1,120,172)	(1,135,616)
Fixed rate debt	Level 2	(426,897)	(465,287)	(281,307)	(306,621)

There have been no transfers between different levels in the fair value hierarchy during the year.

Assets Measured at Fair Value on a Recurring Basis

The fair value (Level 2) of interest rate swap derivative agreements is the present value of the estimated future cash flows that we would receive or pay to terminate the agreements at the balance sheet date, taking into account, as applicable, fixed interest rates on interest rate swaps, current interest rates, forward rate curves and the credit worthiness of both us and the derivative counterparty.

Concentration of Risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Skandinaviska Enskilda Banken AB (S&P Global rating: A+), Nordea Bank AB (S&P Global rating: AA-), Danske Bank AS (S&P Global rating: A+) and DNB ASA (S&P Global rating: AA-).

17. RELATED PARTY TRANSACTIONS

Related Party Balances

A summary of receivables due from related parties as of December 31, 2021 and 2020 is as follows:

<i>(in thousands of \$)</i>	2021	2020
Seatankers Management Norway AS	18	—
Frontline Ltd	162	135
Frontline Management AS	1	—
Northern Ocean Limited	47	31
	228	166

A summary of payables due to related parties as of December 31, 2021 and 2020 is as follows:

<i>(in thousands of \$)</i>	2021	2020
Frontline Management (Bermuda) Limited	(85)	(29)
Frontline Corporate Services Ltd	(30)	(13)
Frontline Management AS	—	(33)
Flex LNG Fleet Management AS	(232)	(234)
SFL Corporation Ltd	(1)	(2)
Golden Ocean Management AS	—	(1)
	(348)	(312)

Related Party Transactions

A summary of income and (expenses) recorded from related parties for the years ended December 31, 2021, 2020, and 2019 are as follows:

<i>(in thousands of \$)</i>	2021	2020	2019
Seatankers Management Co. Ltd	(144)	(312)	(548)
Seatankers Management Norway AS	(59)	(81)	(84)
Frontline Management (Bermuda) Limited	(288)	(122)	(711)
Frontline Ltd	(2)	17	—
Frontline Management AS	(184)	(154)	(336)
Flex LNG Fleet Management AS	(3,235)	(1,795)	(223)
SFL Corporation Ltd	—	(2)	—
FS Maritime SARL	(337)	(225)	—
Northern Ocean Limited	7	—	—
Golden Ocean Management AS	(1)	—	—
Front Ocean Management AS	(55)	—	—

In the year ended December 31, 2021, the Company made payments to a related party of Geveran for LNG carriers amounting to \$385.6 million (2020: \$557.7 million (2019: \$190.3 million)).

For more information see Note 7: Vessel Purchase Prepayments and Note 8: Vessels and Equipment, Net.

General Management Agreements

In October 2021, the Company entered into a service level agreement with a Front Ocean Management AS as part of which they will provide certain advisory and support services including human resources, shared office costs, administrative support, IT systems and services, compliance, insurance and legal assistance. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million for these services.

We have an administrative services agreement with Frontline Management AS ("Frontline Management") under which they provide us with certain administrative support, technical supervision, purchase of goods and services within the ordinary course of business and other support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. Frontline Management may subcontract these services to other associated companies, including Frontline Management (Bermuda) Limited. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.5 million from Frontline Management and associated companies for these services (2020: \$0.3 million (2019: \$1.0 million)).

We also have an agreement with Seatankers Management Co. Ltd. ("Seatankers") under which it provides us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.1 million from Seatankers for these services (2020: \$0.3 million (2019: \$0.5 million)).

Technical Management

The Company has a ship management agreements with Flex LNG Fleet Management AS, a related party owned by Frontline Ltd., for which they are responsible for the technical ship management for all of our entire fleet. Under the agreements, Flex LNG Fleet Management AS is paid a fixed fee per vessel per annum, which is subject to an annual review. In the year ended December 31, 2021, we recorded an expense, within vessel operating expenses, of \$3.2 million from Flex LNG Fleet Management AS for these services (2020: \$1.8 million (2019: \$0.2 million)).

Consultancy Services

The Company has a consultancy agreement with FS Maritime SARL for the employment of our Chief Commercial Officer. The fee is set at a maximum of CHF437,995 per annum and is charged on a pro-rated basis for the time allocation of consultancy services incurred. The contract was terminated in December 2021, and will expire in March 2022. In the year ended December 31, 2021, we recorded an expense, within administrative expenses, of \$0.3 million from FS Maritime SARL for these services (2020: \$0.2 million).

18. MINIMUM COMMITTED REVENUE

Committed time charter revenues for the Company as of December 31, 2021 are detailed in the table below. Subsequent events, after the balance sheet date but before the financial statements were issued, could affect the value of the revenue realized due to market linked contracts and the effect of newly signed contracts, changes or options, which have been excluded. For market linked contracts only the floor rate per the contracts has been used for the purposes of calculating committed revenue whereas the actual revenue realized will only be determined at the time of invoicing. The amounts below represent committed revenue rather than the actual value in cash due in the next year. Some of the hire relating to the committed revenue for January 2021 is

invoiced in advance and is included in the accounts as deferred charter revenue. As of December 31, 2021, \$5.3 million was unpaid and is included in trade accounts receivables.

(in thousands of \$)

2022	264,901
2023	234,265
2024	199,266
2025	75,105
2026	30,254
Thereafter	3,069
Total	806,860

19. SUBSEQUENT EVENTS

\$375 Million Facility

In February 2022, the Company, through its vessel owning subsidiaries, received credit approved term sheets for a new \$375 million term and revolving loan facility (the "\$375 Million Facility") from a syndicate of banks to refinance existing facilities secured by *Flex Endeavour*, *Flex Ranger* and *Flex Rainbow*. The facility is comprised of a \$125 million term loan facility with a six year repayment profile and a non-amortizing \$250 million revolving credit facility, resulting in an average age-adjusted repayment profile of 22 years. The facility has an accordion option to add an additional \$125 million by adding an additional vessel as nominated by the Company within 36 months from the closing date of the agreement. The facility has an interest rate of SOFR plus 210 basis points. Secured Overnight Funding Rate ("SOFR") is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing LIBOR. The facility is subject to final documentation and customary closing conditions and is expected to be drawn between the second quarter of 2022 and the third quarter of 2022.

\$320 million Sale and Leaseback

In February 2022, the Company, through its vessel owning subsidiaries, received credit approved term sheets from an Asian based lease provider for an aggregate of \$320 million for two separate sale and bareboat leaseback agreements (the "\$320 Million Sale and Leaseback") to refinance the existing facility secured by *Flex Constellation* and *Flex Courageous*. Under the terms of the two sale and leaseback agreements, the vessels will be sold for gross consideration equivalent to the market value of each vessel and net consideration to the Company of \$160 million per vessel, adjusted for an advance hire per vessel. The term of each lease is ten years and the Company has options to repurchase the vessels after three years. At the expiry of the ten-year charter period the Company has the option to repurchase the vessels for \$66.5 million per vessel reflecting an age adjusted repayment profile of 20 years. The agreement has an interest rate of SOFR plus 250 basis points. The agreement is subject to final documentation and customary closing conditions and is expected to be drawn in the second quarter of 2022.

Interest rate swaps

In connection with the above refinancings, the Company entered into three interest rate swap agreements, swapping a variable rate of interest based on SOFR to a fixed rate of interest on a notional aggregate principal of \$200 million. The swaps have a term of ten years and a weighted average fixed interest rate of 1.70%.

Dividend

On February 16, 2022, the Company's Board of Directors declared a cash dividend for the fourth quarter of 2021 of \$0.75 per share. The dividend was paid on or around March 16, 2022, to shareholders on record as of March 2, 2022. The ex-dividend date was March 1, 2022.

Uncertainties caused by the Russo-Ukrainian War

The recent outbreak of war between Russia and the Ukraine has disrupted supply chains and caused instability in the global economy, while the United States and the European Union, among other countries, announced sanctions against Russia. The ongoing conflict could result in the imposition of further economic sanctions against Russia, and the Company's business may be adversely impacted. Currently, the Company's charter contracts have not been affected by the events in Russia and Ukraine. However, it is possible that in the future third parties with whom the Company has or will have charter contracts may be impacted by such events. While in general much uncertainty remains regarding the global impact of the conflict in Ukraine, it is possible that such tensions could adversely affect the Company's business, financial condition, results of operation and cash flows.