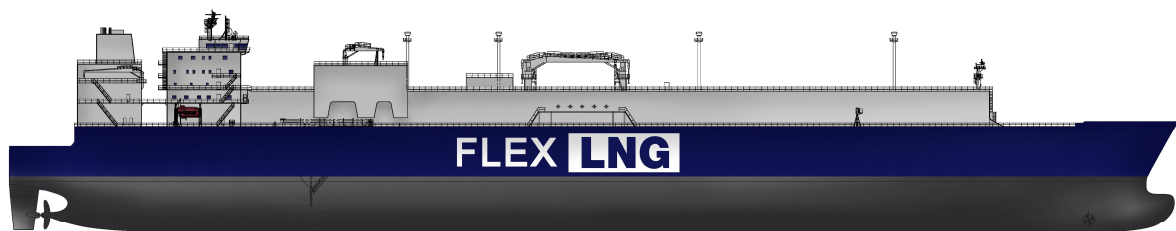


## FLEX LNG GROUP



*Illustration courtesy of Samsung Heavy Industries*

## Q1 2016

## BOARD REPORT

### Financials, First Quarter 2016

(Figures in brackets refer to the corresponding period of 2015)

The cash balances at 31 March were \$3.2m (2015: \$5.6m) with a quarterly \$0.5m net outflow (2015: \$1.1m net outflow). In the three months in 2016 the operating cash outflow was \$0.4m (principally the operating loss after adjusting for the non cash and finance costs paid).

The loss before tax was \$0.4m (2015: \$0.5m) in the quarter. In addition P&L costs of \$0.2m have been capitalised (2015: \$0.1m) onto the two new building assets.

### Outlook, Financing and Risks

The Company continues with the construction of its two LNG carriers and to examine strategic alternatives to add value to the Company and its shareholders, including considerations of opportunities across the LNG value chain. A number of commercial opportunities are currently being pursued. The Company is nearing completion of the plan approval for the two vessels and will commence steel cutting in H2 2016.

In April 2016 the Company agreed amended terms with Metrogas Holdings Inc. (an affiliate of Geveran Trading Co. Ltd) to extend the working capital loan entered into in 2014. The facility has been increased from \$7.0m to \$14.5m, funds can be drawn half yearly as needed, the repayment date has been moved to April 2018, and the rate of interest remains unchanged. The Company expects the amended loan will cover the Group's working capital costs until delivery of the vessels under construction in 2018, on current budgeted expenditures. The Company will need to raise additional funds, to fund the final instalments, which are due on delivery.

The Board believes that the going concern position and risks remain both as described in the 2015 statutory accounts and as summarised by this Q1 2016 financial report, including note 2, and that the going concern assumption remains appropriate for the Group.

## Unaudited Interim Financial Report Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

31 March 2016	Unaudited		
	Q1 16	Q1 15	2015
Operating revenues	0	0	0
Administrative expenses	359	486	2,228
Operating loss before depreciation	(359)	(486)	(2,228)
Depreciation	1	1	3
Operating loss	(360)	(487)	(2,231)
Finance income	3	6	20
Finance cost	(66)	(68)	(267)
Loss before tax	(423)	(549)	(2,478)
Income tax expense	(3)	0	7
Net loss	(420)	(549)	(2,485)
Attributable to:			
Equity holders of the parent	(420)	(549)	(2,485)
Earnings per share:			
Basic and diluted	(0.00)	(0.00)	(0.02)

## Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

31 March 2016	Unaudited		
	Q1 16	Q1 15	2015
Loss for the period	(420)	(549)	(2,485)
Total other comprehensive profit	0	0	0
Total comprehensive income for the period	(420)	(549)	(2,485)
Attributable to:			
Equity holders of the parent	(420)	(549)	(2,485)

## Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

31 March 2016		Unaudited		
	Note	Q1 16	Q1 15	2015
New building assets and capitalised costs	3	211,421	211,130	211,270
Plant and equipment		2	4	3
<b>Total non-current assets</b>		<b>211,423</b>	<b>211,134</b>	<b>211,273</b>
Other current assets		301	126	252
Cash and cash equivalents	4	3,182	5,591	3,722
<b>Total current assets</b>		<b>3,483</b>	<b>5,717</b>	<b>3,974</b>
<b>TOTAL ASSETS</b>		<b>214,906</b>	<b>216,851</b>	<b>215,247</b>
Share capital		1,279	1,278	1,279
Share premium		563,126	563,035	563,080
Other equity		(357,167)	(354,812)	(356,725)
Equity attributable to equity holders of the parent		207,238	209,501	207,634
<b>Total equity</b>		<b>207,238</b>	<b>209,501</b>	<b>207,634</b>
Other financial liabilities	6	7,000	7,000	7,000
<b>Total non-current liabilities</b>		<b>7,000</b>	<b>7,000</b>	<b>7,000</b>
Current liabilities		668	350	613
<b>Total current liabilities</b>		<b>668</b>	<b>350</b>	<b>613</b>
<b>Total liabilities</b>		<b>7,668</b>	<b>7,350</b>	<b>7,613</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>214,906</b>	<b>216,851</b>	<b>215,247</b>



## Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

31 March 2016	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.16	1,279	563,080	(367,333)	10,608	207,634
Loss for the period			(420)		(420)
Other comprehensive income					0
Total comprehensive income			(420)		(420)
Shares issued		46		(46)	0
Share-based payment (shares)				24	24
At 31.03.16	1,279	563,126	(367,753)	10,586	207,238

31 March 2015	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.15	1,269	562,942	(364,848)	10,657	210,020
Loss for the period			(549)		(549)
Other comprehensive income					0
Total comprehensive income			(549)		(549)
Shares issued	9	93		(94)	8
Share-based payment (shares)				22	22
At 31.03.15	1,278	563,035	(365,397)	10,585	209,501

## Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

	Unaudited		
31 March 2016	Q1 16	Q1 15	2015
(Loss) before tax	(423)	(549)	(2,478)
Non cash items	88	85	340
Working capital adjustments	5	(555)	(418)
Income tax received / (paid)	5	3	(7)
Interest received	3	4	21
Finance costs paid	(67)	(68)	(267)
<b>Net cash flow from operating activities</b>	<b>(389)</b>	<b>(1,080)</b>	<b>(2,809)</b>
Capitalised expenditure	(151)	(66)	(206)
Purchase of plant and equipment	0	(2)	(3)
Proceeds from the sale of fixed assets	0	0	1
<b>Net cash flow used in investing activities</b>	<b>(151)</b>	<b>(68)</b>	<b>(208)</b>
Proceeds from issue of share capital	0	8	8
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>8</b>	<b>8</b>
<b>Net cash flow</b>	<b>(540)</b>	<b>(1,140)</b>	<b>(3,009)</b>
Cash balance at beginning of period	3,722	6,731	6,731
<b>Cash balance at end of period</b>	<b>3,182</b>	<b>5,591</b>	<b>3,722</b>

## Notes to the Interim Consolidated Accounts

### Note 1: General information

FLEX LNG Ltd is a limited liability company, incorporated in the British Virgin Islands. The Group's activities are focused on LNG transportation. The interim condensed consolidated financial statements of the Group for the quarter ended 31 March 2016 were authorised by the board of Directors for release on 27 May 2016.

### Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 31 March 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting and have not been audited. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The preparation of interim accounts involves the use of appraisals, estimates and assumptions influencing the application of accounting principles and recognised amounts for assets, obligations and costs. Actual results may differ from these estimates. The uncertainties and risks include both those noted in the 2015 accounts, as updated by the Q1 report, and principally include: the ability to secure employment contracts on reasonable terms for the two vessels being constructed by Samsung; managing the design and construction period; obtaining delivery finance on reasonable terms; and the general LNG and LNG shipping market conditions and trends. The Group is operating in only one segment with respect to products and services. Segment reporting is thus not currently relevant.

## Note 2: Accounting principles (continued)

Accounting policies - The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, the new IFRS Standards and Interpretation introduced in 2016 are currently believed to have no impact on the Group.

At the end of Q1 2016, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective. The Group intends to adopt those standards when they become effective. The standards most likely to have an impact are IFRS 15 – Revenue and IFRS 16 – Leasing. Currently the Group estimates that the implementation will have no impact, or are currently unable to fully determine the impact.

## Note 3: New building assets and capitalised costs

In the current quarter the Group has capitalised costs of \$0.2m (2015: \$0.1m), incurred directly by the Group in relation to the two LNG Carrier vessels.

## Note 4: Cash and cash equivalents

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

*(Unaudited figures in USD,000)*

	Unaudited		
	Q1 16	Q1 15	2015
Cash at bank and in hand	3,182	5,591	3,722

## Note 5: Capital commitments to Samsung

\$210m has been paid to cover the first instalments for the two vessels. The remaining instalments will be due on delivery of the vessels (\$213.8m), prior to any amounts for any further design change requests and sundry buyer's supplies. Delivery is expected to be in January and April 2018.

## Note 6: Other financial liabilities

In 2014 a loan agreement was entered into with Metrogas (an affiliate of Gevevan) for the provision of a \$7.0m loan to the Group. In April 2016 the Group agreed amended terms with Metrogas to extend the working capital loan. The facility has been increased from \$7.0m to \$14.5m, funds can be drawn half yearly as needed, the repayment date has been moved to April 2018, and the rate of interest remains unchanged. The Company expects the amended loan will cover the Group's working capital costs until delivery of the vessels under construction in 2018, on current budgeted expenditures, additional details note 8.

## Note 7: Going concern

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

The Board believes that the going concern assumption currently remains appropriate for the Group. Given the amended loan agreement with Metrogas the Company currently believes that this will provide sufficient working capital to operate until delivery of the vessels. In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

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

## Note 8: Related party transactions

In 2014 the Group entered into a loan agreement with Metrogas for the provision of \$7.0m of working capital. The loan bears a fixed rate of interest and is secured against the shares in the two ship owning companies. The loan agreement is within the normal activities of the company and market terms, and was negotiated on an arm's length basis. The interest costs paid in the period was \$71k, of which \$4k was capitalised.

On 18 June 2015 the Group entered into a building supervision agreement with Frontline Management (Bermuda) Ltd to cover the two vessels on order from Samsung. At 31 September no amounts had been charged under these contracts, with \$150k of cost accrued at the period end, with \$113k accrued in 2016.

In relation to the 2015 Exmar transaction the Company was owed \$240k, from Geveran, this was recovered in April 2016.

The FLEX Management company receives office and accounting support from companies affiliated to Geveran, at the quarter end costs of \$31k had been incurred in the period.

## Note 9: Key figures

	Q1 16	Q1 15	2015
No. of shares outstanding	127,906,882	127,812,033	127,869,673
No. of shares fully diluted	127,906,882	127,842,033	127,869,673
Average no. of outstanding shares	127,899,522	127,732,850	127,817,061
Share price (NOK)	11.00	9.30	11.00
Market capitalisation (NOK'm)	1,407	1,189	1,407

## Shareholders

10 main shareholder at 31.03.16:	Number of shares:	Ownership interest:
GEVERAN TRADING CO.	104,181,837	81.5%
SKANDINAVISKA ENSKIL	5,000,000	3.9%
CLEARSTREAM BANKING <sup>1</sup>	4,012,056	3.1%
CREDIT SUISSE AG	3,250,000	2.5%
STATE STREET BANK <sup>1</sup>	2,824,550	2.2%
JP MORGAN CHASE BANK <sup>1</sup>	1,749,000	1.4%
GOLDMAN SACHS <sup>1</sup>	1,292,500	1.0%
SKANDINAVISKA ENSKIL <sup>1</sup>	823,234	0.6%
D MCMANUS	770,133	0.6%
MATHIAS HOLDING	500,000	0.4%
OTHER	3,503,572	2.8%
Total	127,906,882	100.0%

Note<sup>1</sup> - Nominee account.