FLEX LNG GROUP

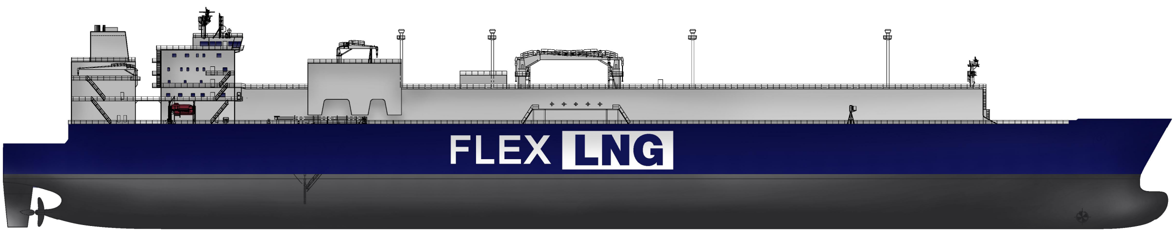

Illustration courtesy of Samsung Heavy Industries

Q3 2016

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

FLEX LNG

BOARD REPORT

Financials, Third Quarter and Year to Date 2016

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

The cash balances at 30 September were $2.4m (2015: $4.4m) with a quarterly $0.4m net outflow (2015: $0.6m net outflow) and $1.3m year to date (2015: $2.3m). In the nine months in 2016 the operating cash outflow was $0.8m (principally the operating loss after adjusting for the non cash, working capital changes and finance costs paid) and $0.5 of cost capitalisation.

The loss before tax was $0.5m (2015: $0.5m) in the quarter and $1.6m year to date (2015: $1.8m). In addition costs of $0.5m have been capitalised (2015: $0.1m) onto the two new building assets.

Outlook, Financing and Risks

The Company has commenced steel cutting and continues to monitor the construction of its two LNG carriers. The Company is in the final stages of evaluating proposals for technical management for the vessels. The appointment of an experienced ship manager will ensure high quality and cost efficient operations at delivery. The Group continues to work on opportunities to add value to the Company and its shareholders, such as industry consolidation, short and long term charters and FSRU opportunities.

In addition to the forthcoming appointment of Mr. Jonathan Cook, as Chief Executive Officer, the Company expects to grow both the business development, technical and ship management capabilities of the Group over the coming quarters.

The Company remains well positioned with its MEGI LNG carriers set for delivery in 2018. The delivery of these vessels coincides with the significant increase in new LNG production capacity coming to the market in the period 2017 to 2020. We believe the strengthening market sentiment and spot rates paid for LNG carriers will continue, and currently believe that the market will prefer the improved efficiencies of these state of the art MEGI vessels. In addition demand for FSRUs remains strong and is expected to continue to be strong, inline with the expansion of LNG trade.

In 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 currently expects the amended loan will cover the Group's working capital costs for at least the next twelve months. The Company will also need to raise additional funds, to fund the final vessel instalments.

The Board believes that the going concern position and risks remain both as described in the 2015 statutory accounts and as summarised by this Q3 2016 financial report, including note 2, and that the going concern assumption remains appropriate for the Group.

FLEX LNG

Unaudited Interim Financial Report
Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

30 September 2016	Unaudited				
	Q3 16	Q3 15	YTD 16	YTD 15	2015
Operating revenues	0	0	0	0	0
Administrative expenses	474	430	1,431	1,612	2,228
Operating loss before depreciation	(474)	(430)	(1,431)	(1,612)	(2,228)
Depreciation	1	1	2	2	3
Operating loss	(475)	(431)	(1,433)	(1,614)	(2,231)
Finance income	2	5	8	16	20
Finance cost	(68)	(71)	(200)	(198)	(267)
Loss before tax	(541)	(497)	(1,625)	(1,796)	(2,478)
Income tax expense	(2)	7	2	8	7
Net loss	(539)	(504)	(1,627)	(1,804)	(2,485)
Attributable to:					
Equity holders of the parent	(539)	(504)	(1,627)	(1,804)	(2,485)
Earnings per share:					
Basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

30 September 2016	Unaudited				
	Q3 16	Q3 15	YTD 16	YTD 15	2015
Loss for the period	(539)	(504)	(1,627)	(1,804)	(2,485)
Total other comprehensive profit	0	0	0	0	0
Total comprehensive income for the period	(539)	(504)	(1,627)	(1,804)	(2,485)
Attributable to:					
Equity holders of the parent	(539)	(504)	(1,627)	(1,804)	(2,485)

FLEX LNG

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

30 September 2016		Unaudited		
	Note	YTD 16	YTD 15	2015
New building assets and capitalised costs	3	211,767	211,187	211,270
Plant and equipment		3	4	3
Total non-current assets		211,770	211,191	211,273
Other current assets		18	217	252
Cash and cash equivalents	4	2,431	4,399	3,722
Total current assets		2,449	4,616	3,974
TOTAL ASSETS		214,219	215,807	215,247
Share capital		1,280	1,279	1,279
Share premium		563,174	563,080	563,080
Other equity		(358,374)	(356,067)	(356,725)
Equity attributable to equity holders of the parent		206,080	208,292	207,634
Total equity		206,080	208,292	207,634
Other financial liabilities	6	7,000	7,000	7,000
Total non-current liabilities		7,000	7,000	7,000
Current liabilities		1,139	515	613
Total current liabilities		1,139	515	613
Total liabilities		8,139	7,515	7,613
TOTAL EQUITY AND LIABILITIES		214,219	215,807	215,247

FLEX LNG

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

30 September 2016	Share capital	Share premium reserve	P&L reserve	Option, warrant and shares	To equity holders
At 01.01.16	1,279	563,080	(367,333)	10,608	207,634
Loss for the period			(1,627)		(1,627)
Other comprehensive income			0		0
Total comprehensive income			(1,627)		(1,627)
Shares issued	1	94		(95)	0
Share-based payment (shares)				73	73
At 30.09.16	1,280	563,174	(368,960)	10,586	206,080

30 September 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			(1,804)		(1,804)
Other comprehensive income			0		0
Total comprehensive income			(1,804)		(1,804)
Shares issued	10	138		(140)	8
Share-based payment (shares)				68	68
At 30.09.15	1,279	563,080	(366,652)	10,585	208,292

FLEX LNG

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)		Unaudited	
30 September 2016	YTD 16	YTD 15	2015
(Loss) before tax	(1,625)	(1,796)	(2,478)
Non cash items	267	251	340
Working capital adjustments	753	(474)	(418)
Income tax received / (paid)	4	(6)	(7)
Interest received	8	8	21
Finance costs paid	(199)	(198)	(267)
Net cash flow from operating activities	(792)	(2,215)	(2,809)
Capitalised expenditure	(497)	(123)	(206)
Purchase of plant and equipment	(2)	(3)	(3)
Proceeds from the sale of fixed assets	0	1	1
Net cash flow used in investing activities	(499)	(125)	(208)
Proceeds from issue of share capital	0	8	8
Net cash flow from financing activities	0	8	8
Net cash flow	(1,291)	(2,332)	(3,009)
Cash balance at beginning of period	3,722	6,731	6,731
Cash balance at end of period	2,431	4,399	3,722

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 and period ended 30 September 2016 were authorised by the board of Directors for release on 25 November 2016.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and period ended 30 September 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 Q3 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 and working capital 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 Q3 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 $0.3m (2015: $0.0m) and $0.5m year to date (2015: $0.1m), incurred directly by the Group in relation to the two LNG Carrier vessels.

As part of the 2015 accounts completion the Company reviewed the market prices for new builds, obtained broker valuations for the vessels, preformed a value in use calculation, based on market based assumptions, and concluded that the recoverable amount was such that no impairment provision was required on the vessels under construction. The Company believes that the position has not materially changed since this review was completed and will further update the review as part of the Q4 accounts preparation.

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		
	YTD 16	YTD 15	2015
Cash at bank and in hand	2,431	4,399	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, buyer's spares and fit out. Delivery is scheduled for January and April 2018.

Note 6: Other financial liabilities

In 2014 a loan agreement was entered into with Metrogas (an affiliate of Geveran) for the provision of a $7.0m loan to the 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 for at least the next twelve months, 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 for at least twelve months. In all cases where the Company may require additional funding to cover working capital or the delivery instalments, 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 $212k, of which $13k was capitalised. In addition in 2016 a fee of $260k was paid to Metrogas as a commitment and amendment fee for the changes in 2016 to the 2014 loan agreement.

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 30 September 2016 no amounts had been charged under these contracts, with $463k of cost accrued at the period end, of which $425k was accrued in 2016.

The FLEX Management company receives office, commercial and accounting support from companies affiliated to Geveran, at the period end costs of $165k had been incurred.

Note 9: Key figures

	YTD 16	YTD 15	2015
No. of shares outstanding	127,945,657	127,869,673	127,869,673
No. of shares fully diluted	127,945,657	127,869,673	127,869,673
Average no. of outstanding shares	127,914,223	127,779,331	127,817,061
Share price (NOK)	11.00	11.90	11.00
Market capitalisation (NOK'm)	1,407	1,522	1,407

Note 9: Key figures (continued)

Shareholders

10 main shareholder at 30.09.16:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.4%
POLYGON (PE) HOLDING	13,526,588	10.6%
STATE STREET BANK [1]	2,824,550	2.2%
GOLDMAN SACHS [1]	1,292,500	1.0%
SKANDINAVISKA ENSKIL OSLOFILIALEN	1,015,573	0.8%
SKANDINAVISKA ENSKIL [1]	823,234	0.6%
D MCMANUS	796,116	0.6%
TOLUMA INVEST AS	486,358	0.4%
MATHIAS HOLDING	274,910	0.2%
C PITTINGER	197,654	0.2%
OTHER	2,526,337	2.0%
Total	127,945,657	100.0%

Note[1] - Nominee account.