

FLEX LNG GROUP

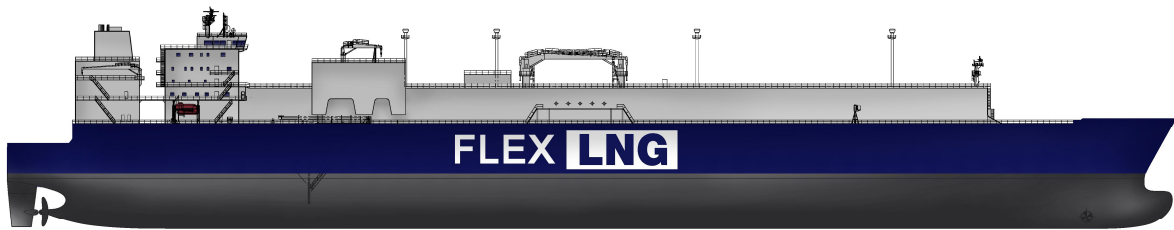


Illustration courtesy of Samsung Heavy Industries

First Half & Q2 2016

BOARD REPORT

Financials, First Half and Second Quarter 2016

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

The cash balances at 30 June were \$2.8m (2015: \$5.0m) with a quarterly \$0.4m net outflow (2015: \$0.6m net outflow) and \$0.9m year to date (2015: \$1.7m). In the six 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).

The loss before tax was \$0.7m (2015: \$0.8m) in the quarter and \$1.1m year to date (2015: \$1.3m). In addition 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 is working on strategies to add value to the Company and its shareholders, such as industry consolidation, short and long term charters and FSRU opportunities. The Company expects to complete the plan approval for the two vessels and will commence steel cutting in H2 2016.

The Company is pleased to announce the appointment of Mr. Jonathan Cook as Chief Executive Officer. Mr. Cook was Chief Marketing Officer for Cardiff LNG (UK) Ltd and will commence his new duties in due course. Mr. Cook has more than 30 years experience in the maritime and energy sectors with the last 16 years in the LNG sector. As a founding partner at Excelebrate Energy in 2003, Mr. Cook was part of the leadership team that pioneered new frontiers in LNG shipping and transportation, by developing and marketing floating storage and regasification technologies to address the logistical challenges of importing and exporting LNG worldwide.

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 have recently seen a strengthening in market sentiment and spot rates paid for LNG carriers, and we currently believe that the market will prefer the substantial improvement in unit freight cost of these larger and more fuel efficient vessels. Also demand for FSRUs remains strong and is expected to continue to be robust inline with the expansion of the LNG trade.

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 Q2 2016 financial report, including note 2, and that the going concern assumption remains appropriate for the Group.



Statement on Financial Compliance

We confirm, to the best of our knowledge, that the condensed financial statements for the period 1 January to 30 June 2016 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and results of the Group. We also confirm to the best of our knowledge that the condensed financial statements include a true and fair review of the development and performance of the business during the period, and together with the 2015 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of FLEX LNG Ltd
25 August 2016

David McManus (Chairman)

Marius Hermansen

Robin Bakken

Unaudited Interim Financial Report Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

30 June 2016	Unaudited				
	Q2 16	Q2 15	H1 16	H1 15	2015
Operating revenues	0	0	0	0	0
Administrative expenses	598	696	957	1,182	2,228
Operating loss before depreciation	(598)	(696)	(957)	(1,182)	(2,228)
Depreciation	0	0	1	1	3
Operating loss	(598)	(696)	(958)	(1,183)	(2,231)
Finance income	3	5	6	11	20
Finance cost	(66)	(59)	(132)	(127)	(267)
Loss before tax	(661)	(750)	(1,084)	(1,299)	(2,478)
Income tax expense	7	1	4	1	7
Net loss	(668)	(751)	(1,088)	(1,300)	(2,485)
Attributable to:					
Equity holders of the parent	(668)	(751)	(1,088)	(1,300)	(2,485)
Earnings per share:					
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

30 June 2016	Unaudited				
	Q2 16	Q2 15	H1 16	H1 15	2015
Loss for the period	(668)	(751)	(1,088)	(1,300)	(2,485)
Total other comprehensive profit	0	0	0	0	0
Total comprehensive income for the period	(668)	(751)	(1,088)	(1,300)	(2,485)
Attributable to:					
Equity holders of the parent	(668)	(751)	(1,088)	(1,300)	(2,485)

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

30 June 2016		Unaudited		
	Note	H1 16	H1 15	2015
New building assets and capitalised costs	3	211,449	211,187	211,270
Plant and equipment		2	4	3
Total non-current assets		211,451	211,191	211,273
Other current assets		38	87	252
Cash and cash equivalents	4	2,793	5,021	3,722
Total current assets		2,831	5,108	3,974
TOTAL ASSETS		214,282	216,299	215,247
Share capital		1,279	1,278	1,279
Share premium		563,126	563,035	563,080
Other equity		(357,810)	(355,539)	(356,725)
Equity attributable to equity holders of the parent		206,595	208,774	207,634
Total equity		206,595	208,774	207,634
Other financial liabilities	6	7,000	7,000	7,000
Total non-current liabilities		7,000	7,000	7,000
Current liabilities		687	525	613
Total current liabilities		687	525	613
Total liabilities		7,687	7,525	7,613
TOTAL EQUITY AND LIABILITIES		214,282	216,299	215,247

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

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

30 June 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			(1,300)		(1,300)
Other comprehensive income			0		0
Total comprehensive income			(1,300)		(1,300)
Shares issued	9	93		(94)	8
Share-based payment (shares)				46	46
At 30.06.15	1,278	563,035	(366,148)	10,609	208,774

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

	Unaudited		
30 June 2016	H1 16	H1 15	2015
(Loss) before tax	(1,084)	(1,299)	(2,478)
Non cash items	176	162	340
Working capital adjustments	281	(339)	(418)
Income tax received / (paid)	4	3	(7)
Interest received	6	6	21
Finance costs paid	(133)	(127)	(267)
Net cash flow from operating activities	(750)	(1,594)	(2,809)
Capitalised expenditure	(179)	(123)	(206)
Purchase of plant and equipment	0	(2)	(3)
Proceeds from the sale of fixed assets	0	1	1
Net cash flow used in investing activities	(179)	(124)	(208)
Proceeds from issue of share capital	0	8	8
Net cash flow from financing activities	0	8	8
Net cash flow	(929)	(1,710)	(3,009)
Cash balance at beginning of period	3,722	6,731	6,731
Cash balance at end of period	2,793	5,021	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 June 2016 were authorised by the board of Directors for release on 26 August 2016.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and period ended 30 June 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 Q2 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 Q2 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 \$0.0m (2015: \$0.0m) and \$0.2m 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, performed a value in use calculation, based on market based assumptions, and concluded that the recoverable amount was such that no impairment provision is required on the vessels under construction. The Company believes that the position has not materially changed since this review was completed.

Note 4: Cash and cash equivalents

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

<i>(Unaudited figures in USD,000)</i>	Unaudited		
	H1 16	H1 15	2015
Cash at bank and in hand	2,793	5,021	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.

Note 7: Going concern (continued)

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 \$142k, of which \$9k was capitalised. In addition in 2016 a fee of \$260k was paid to Metrogas as a commitment and amendment fee for the 2016 changes 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 June no amounts had been charged under these contracts, with \$150k of cost accrued at the period end, with \$113k being accrued in 2016.

The FLEX Management company receives office and accounting support from companies affiliated to Geveran, at the period end costs of \$64k had been incurred.

Note 9: Key figures

	H1 16	H1 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	127,903,202	127,772,660	127,817,061
Share price (NOK)	10.95	9.68	11.00
Market capitalisation (NOK'm)	1,401	1,237	1,407

Note 9: Key figures (continued)

Shareholders

10 main shareholder at 30.06.16:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.5%
SKANDINAVISKA ENSKIL	5,000,000	3.9%
THE BANK OF NEW YORK ¹	3,990,000	3.1%
CREDIT SUISSE AG	3,250,000	2.5%
STATE STREET BANK ¹	2,824,550	2.2%
JP MORGAN CHASE BANK ¹	1,949,000	1.5%
GOLDMAN SACHS ¹	1,292,500	1.0%
SKANDINAVISKA ENSKIL ¹	823,234	0.6%
D MCMANUS	770,133	0.6%
TOLUMA INVEST AS	486,358	0.4%
OTHER	3,339,270	2.7%
Total	127,906,882	100.0%

Note¹ - Nominee account.