

FLEX LNG GROUP

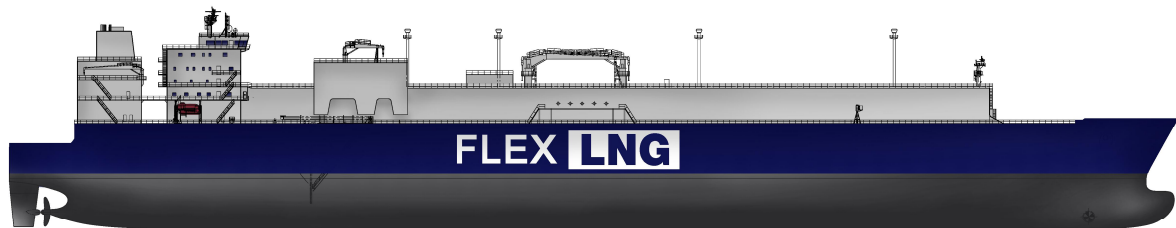


Illustration courtesy of Samsung Heavy Industries

Q4 2015 & Year 2015

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2015

(Figures in brackets refer to the corresponding period of 2014)

The cash balances at 31 December were \$3.7m (2014: \$6.7m) with a quarterly \$0.7m net outflow (2014: \$6.5m net inflow) and \$3.0m year to date (2014: \$5.2m net inflow). In the twelve months in 2015 the operating cash outflow was \$2.8m (principally the operating loss after adjusting for the non cash, working capital movements and finance costs paid). The 2015 movement includes the payment of mandatory bid costs (\$0.4m), which completed in late 2014, additional 2015 restructure costs and \$0.2m in relation to the Exmar transaction.

The loss before tax was \$0.7m (2014: \$0.9m) in the quarter and \$2.5m year to date (2014: \$2.6m). In addition P&L costs of \$0.2m have been capitalised (2014: \$0.5m) onto the two new building assets.

Outlook, Financing and Risks

The Company continues with the construction of its two LNG carriers and will examine other strategic alternatives to add value to the Company and its shareholders, including considerations of opportunities across the LNG value chain. The current condition of the LNG market could give interesting consolidation and growth opportunities for the Company, with a number of commercial opportunities being pursued. The Company is working to complete the plan approval for the two vessels and remains on target to start steel cutting in 2016.

On the current overhead structure and budgeted costs, the Company believes that the working capital raised in 2014 will provide sufficient working capital to operate towards the end of 2016. The Company, on current estimates, will need to raise additional funds prior to delivery, to fund its working capital need and the final delivery instalments, due on delivery. The Company is discussing with Metrogas to amend the current working capital facility, which will provide these working capital funds up to delivery.

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 Board believes that the going concern position and risks remain both as described in the 2014 statutory accounts and as summarised by this Q4 2015 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 December 2015	Unaudited			
	Q4 15	Q4 14	2015	2014
Operating revenues	0	0	0	0
Administrative expenses	616	864	2,228	3,039
Impairment write back	0	0	0	(450)
Operating loss before depreciation	(616)	(864)	(2,228)	(2,589)
Depreciation	1	1	3	1
Operating loss	(617)	(865)	(2,231)	(2,590)
Finance income	4	2	20	3
Finance cost	(69)	(35)	(267)	(35)
Loss before tax	(682)	(898)	(2,478)	(2,622)
Income tax expense	(1)	9	7	13
Net loss	(681)	(907)	(2,485)	(2,635)
Attributable to:				
Equity holders of the parent	(681)	(907)	(2,485)	(2,635)
Earnings per share:				
Basic and diluted	(0.01)	(0.01)	(0.02)	(0.02)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

31 December 2015	Unaudited			
	Q4 15	Q4 14	2015	2014
Loss for the period	(681)	(907)	(2,485)	(2,635)
Exchange differences on translation	0	0	0	9
Total other comprehensive profit	0	0	0	9
Total comprehensive income for the period	(681)	(907)	(2,485)	(2,626)
Attributable to:				
Equity holders of the parent	(681)	(907)	(2,485)	(2,626)

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

31 December 2015		Unaudited	
	Note	2015	2014
New building assets and capitalised costs	3	211,270	211,064
Plant and equipment		3	3
Total non-current assets		211,273	211,067
Other current assets		252	63
Cash and cash equivalents	4	3,722	6,731
Total current assets		3,974	6,794
TOTAL ASSETS		215,247	217,861
Share capital		1,279	1,269
Share premium		563,080	562,942
Other equity		(356,725)	(354,191)
Equity attributable to equity holders of the parent		207,634	210,020
Total equity		207,634	210,020
Other financial liabilities	6	7,000	7,000
Total non-current liabilities		7,000	7,000
Current liabilities		613	841
Total current liabilities		613	841
Total liabilities		7,613	7,841
TOTAL EQUITY AND LIABILITIES		215,247	217,861



Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

31 December 2015	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.15	1,269	562,942	(364,848)	0	10,657	210,020
Loss for the period			(2,485)			(2,485)
Other comprehensive income				0		0
Total comprehensive income			(2,485)			(2,485)
Shares issued	10	138			(140)	8
Share-based payment (shares)					91	91
At 31.12.15	1,279	563,080	(367,333)	0	10,608	207,634

31 December 2014	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.14	1,264	562,659	(362,213)	(322)	10,393	211,781
Loss for the period			(2,635)			(2,635)
Other comprehensive income				9		9
Total comprehensive income			(2,635)	9		(2,626)
Shares issued	5	283			(285)	3
Transfer to income statement on subsidiary liquidation				313		313
Share-based payment (options)					334	334
Share-based payment (shares)					215	215
At 31.12.14	1,269	562,942	(364,848)	0	10,657	210,020

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

	Unaudited	
31 December	2015	2014
(Loss) before tax	(2,478)	(2,622)
Non cash items	340	895
Working capital adjustments	(418)	484
Income tax paid	(7)	(21)
Interest received	21	2
Finance costs paid	(267)	0
Net cash flow from operating activities	(2,809)	(1,262)
Capitalised expenditure	(206)	(539)
Purchase of plant and equipment	(3)	(4)
Proceeds from the sale of fixed assets	1	0
Net cash flow used in investing activities	(208)	(543)
Proceeds from issue of share capital	8	3
Proceeds from long-term borrowings	0	7,000
Net cash flow from financing activities	8	7,003
Net cash flow	(3,009)	5,198
Net exchange translation effect	0	9
Cash balance at beginning of period	6,731	1,524
Cash balance at end of period	3,722	6,731

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 year ended 31 December 2015 were authorised by the board of Directors for release on 26 February 2016.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and year ended 31 December 2015 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 2014.

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 2014 accounts, as updated by the Q4 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 and additional working capital 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 2014, the new IFRS Standards and Interpretation introduced in 2015 are currently believed to have no impact on the Company or Group.

At the end of Q4 2015, 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 and changes, if appropriate, when they become effective. Currently the Group estimates that the implementation will have no impact, or are unable to determine the impact.

Note 3: New building assets and capitalised costs

In the current quarter the Group has capitalised costs of \$0.1m (2014: \$0.2m) and \$0.2m year to date (2014: \$0.5m), incurred directly by the Group in relation to the two LNG Carrier vessels. The Company has obtained broker reports to support the new build asset carrying values, and in addition has performed value in use calculations that support these values.

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	
	2015	2014
Cash at bank and in hand	3,722	6,731

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 Geveran) for the provision of a \$7.0m loan to the Group. The loan is due for repayment, on demand, at any date following 31 December 2016, 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 loan agreement with Metrogas, the current overhead structure and the current budgeted costs, the Company believes that this will provide sufficient working capital to operate towards the end of 2016, but will need to obtain additional working capital. The Company is discussing with Metrogas to amend the existing working capital facility, which will provide these funds up to delivery. 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 for the period was \$283k, of which \$16k 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 \$38k of cost accrued at the yearend.

In relation to the Exmar transaction the Company assumes that \$240k will be recoverable from Geveran.

The FLEX Management company receives office and accounting support from companies affiliated to Geveran, at the year end costs of \$79k had been incurred in the year.

Note 9: Key figures

	2015	2014
No. of shares outstanding	127,869,673	126,921,224
No. of shares fully diluted	127,869,673	127,751,224
Average no. of outstanding shares	127,817,061	126,615,864
Share price (NOK)	11.00	8.00
Market capitalisation (NOK'm)	1,407	1,015

Shareholders

The 10 main shareholders at 31.12.15 are:

Shareholder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.5%
SKANDINAVISKA ENSKIL	5,000,000	3.9%
JP MORGAN CHASE BANK ¹	3,533,316	2.8%
CREDIT SUISSE SECURITIES	3,266,982	2.6%
STATE STREET BANK ¹	2,824,550	2.2%
EUROCLEAR BANK S.A. ¹	1,548,156	1.2%
GOLDMAN SACHS ¹	1,292,500	1.0%
SKANDINAVISKA ENSKIL ¹	823,234	0.6%
D MCMANUS	743,587	0.6%
CLEARSTREAM BANKING ¹	650,916	0.5%
OTHER	4,004,595	3.1%
Total	127,869,673	100.0%

Note¹ - Nominee account.