FLEX LNG

FLEX LNG GROUP

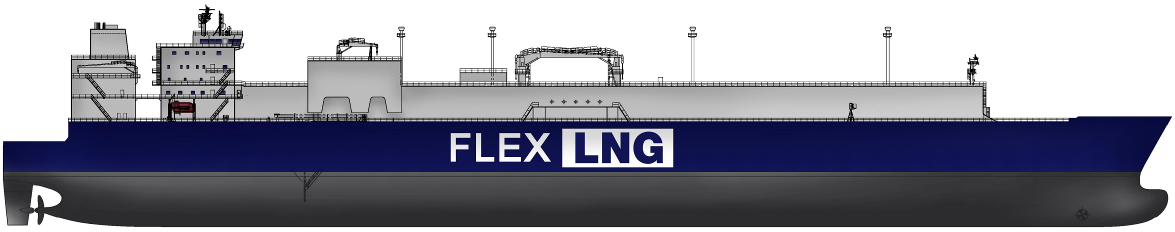

Illustration courtesy of Samsung Heavy Industries

Q1 2015

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

FLEX LNG

BOARD REPORT

Financials, First Quarter 2015

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

In February 2015 agreement was reached with Samsung Heavy Industries (Samsung) to convert the propulsion system for the two LNG carriers from DFDE to the fuel efficient 2-stroke slow speed MEGI main engines.

The cash balances at 31 March were $5.6m (2014: $0.9m) with a quarterly $1.1m net outflow (2014: $0.6m outflow). In the three months in 2015 the operating cash outflow was $1.1m (principally the operating loss after adjusting for the non cash and working capital movements). The current quarter includes the payment of mandatory bid costs ($0.4m), which completed in late 2014.

The loss before tax was $0.5m (2014: $0.6m) in the quarter. In addition P&L costs of $0.1m have been capitalised (2014: $0.1m) onto the two new building assets.

Outlook, Financing and Risks

The Company is looking to build an attractive position in the LNG shipping market with the latest generation fuel efficient LNG carriers. The Company is focused on the preparation for the construction phase and marketing of the new builds to potential charterers.

Given the current overhead structure and budgeted costs the Company believes that the working capital raised in 2014 will provide sufficient working capital to operate for about 18 months.

The Company, on current estimates, will need to raise additional funds prior to delivery. Given the current capital raising plans the Group expects to raise sufficient additional working capital to operate until delivery of the vessels. 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 Q1 2015 financial report, including note 2, and that the going concern assumption remains appropriate for the Group.

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Unaudited Interim Financial Report
Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 31 March 2015	Unaudited		
	Q1 15	Q1 14	2014
Operating revenues	0	0	0
Administrative expenses	486	625	3,039
Impairment write back	0	0	(450)
Operating loss before depreciation	(486)	(625)	(2,589)
Depreciation	1	0	1
Operating loss	(487)	(625)	(2,590)
Finance income	6	1	3
Finance cost	(68)	0	(35)
Loss before tax	(549)	(624)	(2,622)
Income tax expense	0	4	13
Net loss	(549)	(628)	(2,635)
Attributable to:			
Equity holders of the parent	(549)	(628)	(2,635)
Earnings per share:			
Basic and diluted	(0.00)	(0.00)	(0.02)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 March 2015	Unaudited		
	Q1 15	Q1 14	2014
Loss for the period	(549)	(628)	(2,635)
Exchange differences on translation	0	9	9
Total other comprehensive profit	0	9	9
Total comprehensive income for the period	(549)	(619)	(2,626)
Attributable to:			
Equity holders of the parent	(549)	(619)	(2,626)

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Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 March 2015		Unaudited		
	Note	Q1 15	Q1 14	2014
New building assets and capitalised costs	3	211,130	210,597	211,064
Plant and equipment		4	2	3
Total non-current assets		211,134	210,599	211,067
Other current assets		126	181	63
Cash and cash equivalents	4	5,591	880	6,731
Total current assets		5,717	1,061	6,794
TOTAL ASSETS		216,851	211,660	217,861
Share capital		1,278	1,265	1,269
Share premium		563,035	562,822	562,942
Other equity		(354,812)	(352,760)	(354,191)
Equity attributable to equity holders of the parent		209,501	211,327	210,020
Total equity		209,501	211,327	210,020
Other financial liabilities	6	7,000	0	7,000
Total non-current liabilities		7,000	0	7,000
Current liabilities		350	333	841
Total current liabilities		350	333	841
Total liabilities		7,350	333	7,841
TOTAL EQUITY AND LIABILITIES		216,851	211,660	217,861

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Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 31 March 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			(549)			(549)
Other comprehensive income				0		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)	0	10,585	209,501

For the period ended 31 March 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			(628)			(628)
Other comprehensive income				9		9
Total comprehensive income			(628)	9		(619)
Shares issued	1	163			(164)	0
Share-based payment (options)					105	105
Share-based payment (shares)					60	60
At 31.03.14	1,265	562,822	(362,841)	(313)	10,394	211,327

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Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)	Unaudited		
For the period ended 31 December	Q1 15	Q1 14	2014
(Loss) before tax	(549)	(624)	(2,622)
Non cash items	85	164	895
Working capital adjustments	(555)	(116)	484
Income tax received / (paid)	3	(4)	(21)
Interest received	4	1	2
Finance costs paid	(68)	0	0
Net cash flow from operating activities	(1,080)	(579)	(1,262)
Capitalised expenditure	(66)	(72)	(539)
Purchase of plant and equipment	(2)	(2)	(4)
Proceeds from the sale of fixed assets	0	0	0
Net cash flow used in investing activities	(68)	(74)	(543)
Proceeds from issue of share capital	8	0	3
Proceeds from long-term borrowings	0	0	7,000
Net cash flow from financing activities	8	0	7,003
Net cash flow	(1,140)	(653)	5,198
Net exchange translation effect	0	9	9
Cash balance at beginning of period	6,731	1,524	1,524
Cash balance at end of period	5,591	880	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 ended 31 March 2015 were authorised by the board of Directors for release on 29 May 2015.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 31 March 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 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 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.

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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, no new new Standards and Interpretation have been introduced in 2015.

At the end of Q1 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: $0.1m), 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 15	Q1 14	2014
Cash at bank and in hand	5,591	880	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.

Note 6: Other financial liabilities

In 2014 a loan agreement was entered into with Metrogas (an affiliate of Geveran) for the provision of a $7m loan to the Group. The loan is due for repayment on 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 budgeted costs the Company believes that this will provide sufficient working capital to operate for about 18 months. 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.

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Note 8: Related party transactions

In 2014 the Group entered into a loan agreement with Metrogas for the provision of $7m 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 $71k, of which $3k was capitalised.

Note 9: Post balance sheet events

There have been no material post balance sheet events.

Note 10: Key figures

	Q1 15	Q1 14	2014
No. of shares outstanding	127,812,033	126,515,402	126,921,224
No. of shares fully diluted[1]	127,842,033	127,940,402	127,751,224
Average no. of outstanding shares	127,732,850	126,478,794	126,615,864
Share price (NOK)	9.30	5.90	8.00
Market capitalisation (NOK'm)	1,189	746	1,015

Note[1]: 30,000 vested options have an exercise price of USD 0.01 at 31.03.2015.

Shareholders

The 10 main shareholders at 31.03.15 are:

Shareholder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.5%
SKANDINAVISKA ENSKIL	5,000,000	3.9%
UBS AG LONDON	3,163,719	2.5%
BNP PARIBAS [1]	2,835,885	2.2%
STATE STREET BANK [1]	2,824,550	2.2%
JP MORGAN CHASE BANK [1]	1,986,000	1.6%
GOLDMAN SACHS [1]	1,292,500	1.0%
SEB PRIVATE BANK [1]	1,261,344	1.0%
D MCMANUS	723,844	0.6%
MATHIAS HOLDING	500,000	0.4%
OTHER	4,042,354	3.1%
Total	127,812,033	100.0%

Note[1] - Nominee account.

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