FLEX LNG GROUP

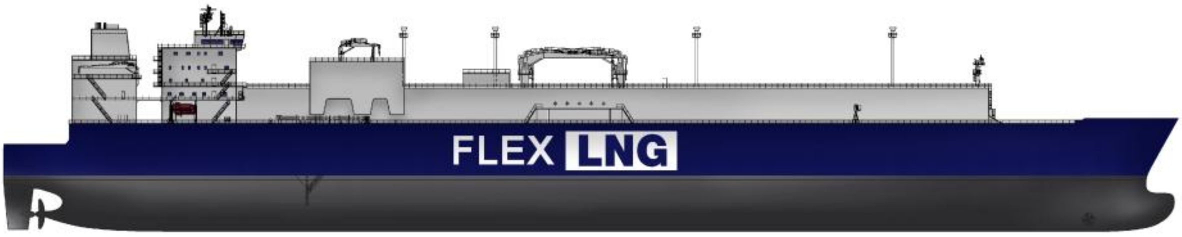

Illustration courtesy of Samsung Heavy Industries

Q4 2014
& Year 2014

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

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2014

(Figures in brackets refer to the corresponding period of 2013)

In 2014 the Company and Samsung Heavy Industries (Samsung) have been working on plan approval, vendor selection and potential design changes on the two new 174,000 m^3 LNG Carriers. In April 2014 Samsung notified the Company that it had agreed a sale for the six offshore LNG loading arms from the historical FLNG contracts. In July 2014 the Company received the net proceeds of $0.5m, which has been recognised as an impairment write-back. The parties have in addition continued to discuss the choice of propulsion engines for the two LNG Carriers. In February 2015 agreement was reached with 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 December were $6.7m (2013: $1.5m) with $6.5m net inflow (2013: $1.7m outflow) in the quarter and $5.2m year to date (2013: $4.7m outflow). In the twelve months in 2014 the operating cash outflow was $1.3m (principally the operating loss after excluding the non cash and working capital movements), $0.5m of capitalised costs, and $7.0m of funds raised.

The loss before tax was $0.9m (2013: $0.7m) in the quarter and $2.6m year to date (2013: $205.5m - profit). The 2014 year include; a $0.5m impairment write-back on the sale of the loading arms, a $0.3m (2013: $0.4m) cost on the option schemes, $0.3m of historical FX cost being reclassified to the income statement following the liquidation of the Norwegian Management company, and additional costs following the mandatory bid. In addition P&L costs of $0.5m have been capitalised (2013: $0.5m) onto the two new building assets.

Outlook, Financing and Risks

In October 2014 Geveran Trading Co Ltd (Geveran) increased its shareholding in the Company to above one third of the outstanding shares and announced that it would make a mandatory offer for the remaining shares in the Company. The offer period closed on 18 December 2014 and at 31 December 2014 Geveran holds 81.8% of the issued shares. With the support of its major shareholders and Samsung, the Company is looking to build an attractive position in the LNG shipping market with the newest generation of LNG carriers.

In the short term the Company has been focused on the construction of the new builds; on 31 July 2014 it signed a supervision contract for the construction phase and has been seeking charter parties for the vessels. In 2014 the Group has been in detailed discussions, with a number of parties, to secure debt finance to cover the costs during the construction phase of the vessels. On 27 October 2014 the Group entered into a loan agreement with Metrogas Holdings Inc. (Metrogas), an affiliate of Geveran, for the provision of $7m of working capital. Given the current overhead structure and budgeted costs the Company believes that this will provide sufficient working capital to operate for at least 18 months.

The Company, on current estimates, will need to raise additional funds prior 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 the going concern position and risks remain both as described in the 2013 statutory accounts and as summarised by this Q4 2014 financial report, including note 2.

FLEX LNG

Unaudited Interim Financial Report
Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 31 December 2014	Unaudited			
	Q4 14	**Q4 13**	**2014**	**2013**
Operating revenues	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**
Administrative expenses	864	692	3,039	4,496
Impairment write (back)	0	0	(450)	(210,000)
Operating (loss) / profit before depreciation	**(864)**	**(692)**	**(2,589)**	**205,504**
Depreciation	1	0	1	32
Operating (loss) / profit	**(865)**	**(692)**	**(2,590)**	**205,472**
Finance income	2	3	3	21
Finance cost	(35)	0	(35)	(18)
(Loss) / profit before tax	**(898)**	**(689)**	**(2,622)**	**205,475**
Income tax expense	9	3	13	15
Net (loss) / profit	**(907)**	**(692)**	**(2,635)**	**205,460**
Attributable to:				
Equity holders of the parent	(907)	(692)	(2,635)	205,460
Earnings per share:				
Basic and diluted	(0.01)	(0.01)	(0.02)	1.63

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 December 2014	Unaudited			
	Q4 14	**Q4 13**	**2014**	**2013**
(Loss) / profit for the period	**(907)**	**(692)**	**(2,635)**	**205,460**
Exchange differences on translation	0	(8)	9	(51)
Total other comprehensive (loss) / profit	0	(8)	9	(51)
Total comprehensive income for the period	**(907)**	**(700)**	**(2,626)**	**205,409**
Attributable to:				
Equity holders of the parent	(907)	(700)	(2,626)	205,409

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Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 December 2014		Unaudited	
	Note	**2014**	**2013**
New building assets and capitalised costs	3	211,064	210,525
Plant and equipment		3	0
Total non-current assets		**211,067**	**210,525**
Other current assets		63	149
Cash and cash equivalents	4	6,731	1,524
Total current assets		**6,794**	**1,673**
TOTAL ASSETS		**217,861**	**212,198**
Share capital		1,269	1,264
Share premium		562,942	562,659
Other equity		(354,191)	(352,142)
Equity attributable to equity holders of the parent		210,020	211,781
Total equity		**210,020**	**211,781**
Other financial liabilities	6	7,000	0
Total non-current liabilities		**7,000**	**0**
Current liabilities		841	417
Total current liabilities		**841**	**417**
Total liabilities		**7,841**	**417**
TOTAL EQUITY AND LIABILITIES		**217,861**	**212,198**

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Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 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**

For the period ended 31 December 2013	**Share capital**	**Share premium reserve**	**P&L reserve**	**Exchange translation reserve**	**Option, warrant and shares**	**To equity holders**
At 01.01.13	1,254	562,288	(567,673)	(271)	10,087	5,685
Profit for the period			205,460			205,460
Other comprehensive income				(51)		(51)
Total comprehensive income			205,460	(51)		205,409
Shares issued	10	371			(381)	0
Share-based payment (options)					352	352
Share-based payment (shares)					335	335
At 31.12.13	1,264	562,659	(362,213)	(322)	10,393	211,781

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)	**Unaudited**	
For the period ended 31 December	**2014**	**2013**
(Loss) / profit before tax	(2,622)	205,475
Non cash items	895	(209,315)
Working capital adjustments	484	(271)
Income tax paid	(21)	(56)
Interest received	2	32
Finance costs paid	0	(18)
Net cash flow from operating activities	**(1,262)**	**(4,153)**
Capitalised expenditure	(539)	(525)
Purchase of plant and equipment	(4)	0
Proceeds from the sale of fixed assets	0	7
Net cash flow used in investing activities	**(543)**	**(518)**
Proceeds from issue of share capital	3	0
Proceeds from long-term borrowings	7,000	0
Net cash flow from financing activities	**7,003**	**0**
Net cash flow	**5,198**	**(4,671)**
Net exchange translation effect	9	(51)
Cash balance at beginning of period	1,524	6,246
Cash balance at end of period	**6,731**	**1,524**

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 2014 were authorised by the board of Directors for release on 27 February 2015.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and year ended 31 December 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 2013.

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 2013 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 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 2013, except for the adoption of new Standards and Interpretation in 2014, as noted below:

IFRS 10 – Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities; IAS 27 Revised - Separate Financial Statements; IAS 28 Revised - Investments in Associates and Joint Ventures; IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities; IFRS 10, IFRS 11, IFRS 12 - Amendments - Transition Guidance; IFRS 10, IFRS 12, IAS 27 - Amendments: Investment Entities; IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets; and IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting.

The adoption of these has had no material impact on the financial position or performance of the Group.

At the end of Q4 2014, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective:

IFRS 9 - Financial Instruments; IFRIC 21 – Levies; IAS 19 - Defined Benefit Plans, Employee Contributions; IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures; IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants; IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements; Amendment to IFRS 2: Definitions relating to vesting conditions; Amendment to IFRS 3: Accounting for contingent consideration in a business combination; Amendment to IFRS 8: Aggregation of operating segments; Amendment to IFRS 8: Reconciliation of the total of the reportable segment assets to the entity's total assets; Amendment to IFRS 13: Short-term receivables and payables; Amendment to IAS 16 and IAS 38: Revaluation method – proportionate restatement of accumulated depreciation; Amendment to IAS 24: Key management personnel; Amendment to IFRS 1: Meaning of effective IFRSs; Amendment to IFRS 3: Scope exceptions for joint ventures; Amendment to IFRS 13: Scope paragraph 52 (portfolio exception); Amendment to IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; Amendments to IFRS 5: Changes in methods of disposal; Amendments to IFRS 7: Servicing contracts; Amendments to IFRS 7: Applicability of the amendments to IFRS 7 to condensed interim financial statements; Amendments to IAS 19: Discount rate: regional market issue; Amendments to IAS 34: Disclosure of information "elsewhere in the interim financial report; IFRS 14 Regulatory Deferral Accounts; IFRS 11 Joint Arrangements (Amendments to IFRS 11); IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation; IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendments to IAS 1); and IFRS 15 Revenue from Contracts with Customers.

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.

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Note 3: New building assets and capitalised costs

In the current quarter the Group has capitalised costs of $0.2m (2013: $0.5m) and $0.5m year to date (2013: $0.5m), 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**	
	2014	**2013**
Cash at bank and in hand	6,731	1,524

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 ($192m), prior to any amounts for agreed design change requests and sundry buyer’s supplies, additional details note 9.

Note 6: Other financial liabilities

On 27 October 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. The Group has been in detailed discussions, with a number of parties, to secure debt finance to cover the costs during the construction phase of the vessels. On 27 October 2014 the Group entered into a loan agreement with Metrogas for the provision of $7m of working capital. Given the current overhead structure and budgeted costs the Company believes that this will provide sufficient working capital to operate for at least 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.

Note 8: Related party transactions

On 31 July 2014 the Company entered into a supervision agreement with Schulte Marine Concept (Hong Kong) Limited (Schulte) to cover the plan approval and supervision services on the two LNG Carriers on order from Samsung. In the twelve months to December Schulte costs of $88k (2013: $58k) have been capitalised on the two new build contracts. The agreement can be terminated by FLEX LNG giving 60 calendar days’ notice and paying a pre-agreed termination fee. The supervision agreement with Schulte is within the normal activities of the company, on market terms, and was negotiated on an arm’s length basis. Following the completion of the mandatory offer Schulte ceased being a related party.

Note 8: Related party transactions (continued)

On 27 October 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 loan will be used to cover working capital costs.

Note 9: Post balance sheet events

Change from DFDE to MEGI on the two Samsung Newbuilds

In February 2015 agreement was reached with 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 consequence of the change is an increase in the yard price of the vessels taking into account the change in specification, including the deployment of the new engine system and exhaust gas treatment for compliance with new emissions regulations, 0.09% Boil-off Rate to maintain speed flexibility, and ballast water treatment system. The price increase is to be paid by FLEX on delivery. The expected delivery dates of the vessels have been postponed from Q1 2017 to Q1 and Q2 2018.

Note 10: Key figures

	2014	2013
No. of shares outstanding	126,921,224	126,365,641
No. of shares fully diluted[1]	127,751,224	136,639,196
Average no. of outstanding shares	126,615,864	126,040,816
Share price (NOK)	8.00	6.85
Market capitalisation (NOK'm)	1,015	866

Note[1]: 830,000 vested options have an exercise price of USD 0.01.

Shareholders

The 10 main shareholders at 31.12.14 are:

Shareholder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	103,837,979	81.8%
SKINDINAVISKA ENSKIL	5,000,000	4.0%
BNP PARIBAS [1]	2,835,885	2.2%
STATE STREET BANK [1]	2,824,550	2.2%
UBS AG LONDON	2,549,938	2.0%
JP MORGAN CHASE BANK [1]	1,986,000	1.6%
SEB PRIVATE BANK [1]	1,261,344	1.0%
JP MORGAN LUXEMBOURG [1]	682,800	0.6%
D MCMANUS	672,322	0.5%
MATHIAS HOLDING	500,000	0.4%
OTHER	4,770,406	3.7%
Total	126,921,224	100.0%

Note[1] - Nominee account.