FLEX LNG

FLEX LNG GROUP

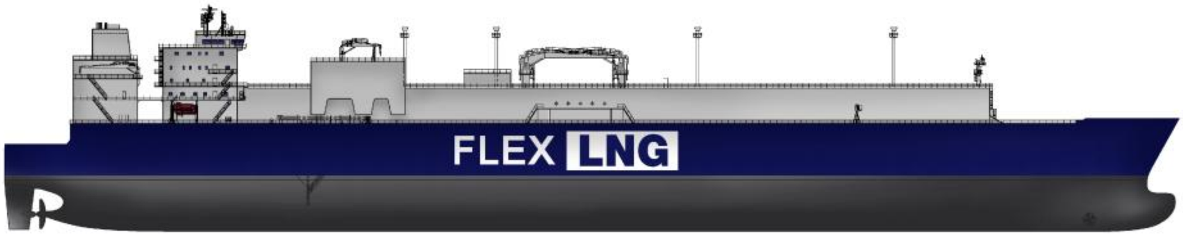

Illustration courtesy of Samsung Heavy Industries

Q3 2014

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

FLEX LNG

BOARD REPORT

Financials, Third Quarter and Year to Date 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. The parties have in addition continued to discuss the choice of propulsion engines for the two 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 cash balances at 30 September were $0.3m (2013: $3.2m) with $0.2m net outflow (2013: $0.7m) in the quarter and $1.3m year to date (2013: $3.0m). In the nine months in 2014 the operating cash outflow was $1.0m (principally the operating loss after excluding the non cash and working capital movements) and $0.3m of capitalised costs.

The loss before tax was $0.5m (2013: $208.9m - profit) in the quarter and $1.7m year to date (2013: $206.2m - profit), which included a $0.5m impairment write-back on the sale of the loading arms, a $0.3m (2013: $0.2m) 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 P&L costs of $0.3m have been capitalised (2013: $nil) 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 Board of Directors of FLEX LNG will issue a statement on the offer in due course. In the short term the Company is focused on the construction of the new builds; on 31 July 2014 it signed a supervision contract for the construction phase with Schulte Marine Concept (Hong Kong) Limited (Schulte); it has been working to obtain finance for the construction period; and seeking charter parties for the vessels. The Company will continue to assess the strategic alternatives available to 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 Holdings Inc. (Metrogas), an affiliate of Geveran Trading Co. Ltd, 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 approximately 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 Board believes the going concern position and risks remain both as described in the 2013 statutory accounts and as summarised by this Q3 2014 financial report, including note 2.

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Unaudited Interim Financial Report
Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 September 2014	Unaudited				
	Q3 14	**Q3 13**	**YTD 14**	**YTD 13**	**2013**
Operating revenues	0	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**	**0**
Administrative expenses	914	1,119	2,175	3,804	4,496
Impairment write (back)	(450)	(210,000)	(450)	(210,000)	(210,000)
Operating (loss) / profit before depreciation	**(464)**	**208,881**	**(1,725)**	**206,196**	**205,504**
Depreciation	0	10	0	32	32
Operating (loss) / profit	**(464)**	**208,871**	**(1,725)**	**206,164**	**205,472**
Finance income	0	0	1	18	21
Finance cost	0	(2)	0	(18)	(18)
(Loss) / profit before tax	**(464)**	**208,869**	**(1,724)**	**206,164**	**205,475**
Income tax expense	3	5	4	12	15
Net (loss) / profit	**(467)**	**208,864**	**(1,728)**	**206,152**	**205,460**
Attributable to:					
Equity holders of the parent	(467)	208,864	(1,728)	206,152	205,460
Earnings per share:					
Basic and diluted	(0.00)	1.66	(0.01)	1.64	1.63

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 September 2014	Unaudited				
	Q3 14	**Q3 13**	**YTD 14**	**YTD 13**	**2013**
(Loss) / profit for the period	**(467)**	**208,864**	**(1,728)**	**206,152**	**205,460**
Exchange differences on translation	0	11	9	(43)	(51)
Total other comprehensive profit / (loss)	0	11	9	(43)	(51)
Total comprehensive income for the period	**(467)**	**208,875**	**(1,719)**	**206,109**	**205,409**
Attributable to:					
Equity holders of the parent	(467)	208,875	(1,719)	206,109	205,409

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Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 September 2014		Unaudited		
	Note	**YTD 14**	**YTD 13**	**2013**
New building assets and capitalised costs	3	210,803	210,000	210,525
Plant and equipment		2	0	0
Total non-current assets		**210,805**	**210,000**	**210,525**
Other current assets		109	190	149
Cash and cash equivalents	4	261	3,218	1,524
Total current assets		**370**	**3,408**	**1,673**
TOTAL ASSETS		**211,175**	**213,408**	**212,198**
Share capital		1,267	1,264	1,264
Share premium		562,942	562,659	562,659
Other equity		(353,387)	(351,713)	(352,142)
Equity attributable to equity holders of the parent		210,822	212,210	211,781
Total equity		**210,822**	**212,210**	**211,781**
Current liabilities		353	1,198	417
Total liabilities		**353**	**1,198**	**417**
TOTAL EQUITY AND LIABILITIES		**211,175**	**213,408**	**212,198**

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 September 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			(1,728)			**(1,728)**
Other comprehensive income				9		**9**
Total comprehensive income			**(1,728)**	**9**		**(1,719)**
Shares issued	3	283			(285)	**1**
Transfer to income statement on subsidiary liquidation				313		**313**
Share-based payment (options)					265	**265**
Share-based payment (shares)					181	**181**
At 30.09.14	**1,267**	**562,942**	**(363,941)**	**0**	**10,554**	**210,822**

For the period ended 30 September 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
Loss for the period			206,152			206,152
Other comprehensive income				(43)		(43)
Total comprehensive income			206,152	(43)		206,109
Shares issued	10	371			(381)	0
Share-based payment (options)					162	162
Share-based payment (shares)					254	254
At 30.09.13	1,264	562,659	(361,521)	(314)	10,122	212,210

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Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)		**Unaudited**	
For the period ended 30 September	**YTD 2014**	**YTD 2013**	**2013**
(Loss) / profit before tax	(1,724)	206,164	205,475
Non cash items	758	(209,583)	(209,315)
Working capital adjustments	(24)	470	(271)
Income tax paid	(4)	(71)	(56)
Interest received	1	28	32
Finance costs paid	0	0	(18)
Net cash flow from operating activities	**(993)**	**(2,992)**	**(4,153)**
Capitalised expenditure	(278)	0	(525)
Purchase of plant and equipment	(2)	0	0
Proceeds from the sale of fixed assets	0	7	7
Net cash flow used in investing activities	**(280)**	**7**	**(518)**
Proceeds from issue of share capital	1	0	0
Net cash flow from financing activities	**1**	**0**	**0**
Net cash flow	**(1,272)**	**(2,985)**	**(4,671)**
Net exchange translation effect	9	(43)	(51)
Cash balance at beginning of period	1,524	6,246	6,246
Cash balance at end of period	**261**	**3,218**	**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 period ended 30 September 2014 were authorised by the board of Directors for release on 28 November 2014.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and period ended 30 September 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 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 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.

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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 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 Q3 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; 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.

Note 3: New building assets and capitalised costs

In the current quarter the Group has capitalised costs of $0.1m (2013: $nil) and $0.3m year to date (2013: $nil), incurred directly by the Group in relation to the two LNG Carrier vessels.

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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 2014	**YTD 2013**	**2013**
Cash at bank and in hand	261	3,218	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, in 2017, on delivery of the vessels ($192m), prior to any amounts for agreed design change requests and sundry buyer's supplies.

Note 6: 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 approximately 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 7: Related party transaction

On 31 July 2014 the Company entered into a supervision agreement with Schulte to cover the plan approval and supervision services on the two LNG Carriers on order from Samsung. In the nine months to September Schulte costs of $56k 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.

Note 8: Post balance sheet events

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.

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Note 9: Key figures

	YTD 2014	YTD 2013	2013
No. of shares outstanding	126,723,724	126,365,641	126,365,641
No. of shares fully diluted[1]	136,899,779	136,460,996	136,639,196
Average no. of outstanding shares	126,563,599	125,931,351	126,040,816
Share price (NOK)	8.00	6.70	6.85
Market capitalisation (NOK'm)	1,014	847	866

Note[1]: 8,753,089 options and warrants are not expected to meet their vesting criteria, 1,422,966 options have exercise prices and hurdle rates between NOK 6 and 27.

Shareholders

The 10 main shareholders at 30.09.14 are:

Share holder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	41,067,842	32.4%
KAWASAKI KISEN KAISHA LTD	17,291,866	13.6%
GOLDMAN SACHS & CO [1]	8,429,960	6.7%
B SCHULTE INVESTMENT HOLDING	6,336,481	5.0%
MONTAGUE PLACE CUSTODIAN [1]	5,315,812	4.2%
SKINDINAVISKA ENSKIL	5,000,000	3.9%
EUROCLEAR BANK S.A. [1]	4,346,602	3.4%
JP MORGAN SECURITIES LIMITED	3,380,811	2.7%
BNP PARIBAS [1]	2,835,885	2.2%
SIX SIS AG [1]	2,500,000	2.0%
OTHER	30,218,465	23.9%
Per VPS register	126,723,724	100.0%

Note[1] - Nominee account.