

FLEX LNG GROUP

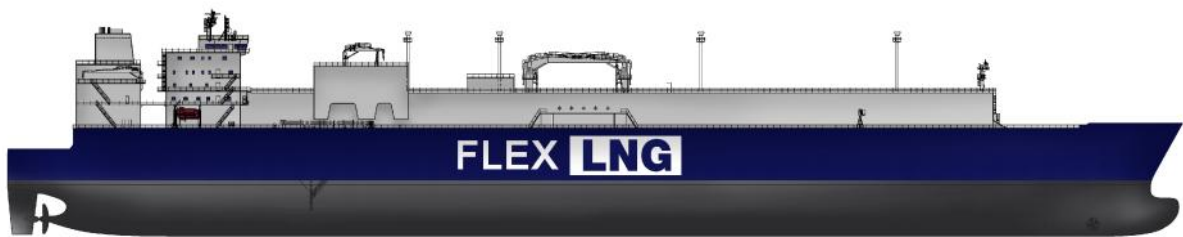


Illustration courtesy of Samsung Heavy Industries

First Half & Q2 2014

BOARD REPORT

Financials, First Half and Quarter Two 2014

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

In 2014 the Company and Samsung Heavy Industries (Samsung) have been working on vendor selection and potential design changes on the two new 174,000 m³ LNG Carriers. The parties have in addition investigated the use of 2-stroke propulsion engines for the two LNG Carriers. Following a detailed analysis of the new system, the Company has concluded that it will not select the 2-stroke propulsion system, given the additional risks that this will generate for the Company. In April 2014 Samsung notified the Company that it had agreed a sale for the loading arms and in July 2014 the Company received the net proceeds of \$0.5m.

The cash balances at 30 June were \$0.4m (2013: \$3.9m) with \$0.4m net outflow (2013: \$1.0m) in the quarter and \$1.1m year to date (2013: \$2.3m). In the six months in 2014 the operating cash outflow was \$0.9m (principally the operating loss after excluding the non cash and working capital movements) and \$0.2m of capitalised costs.

The loss before tax was \$0.6m (2013: \$1.1m) in the quarter and \$1.3m year to date (2013: \$2.7m). In the six months there was also a \$0.2m cost on the option schemes, (2013: \$0.1m) and capitalised costs of \$0.2m (2013: \$nil).

Outlook, Financing and Risks

The Board continues to monitor the strategic alternatives that are available to the Company. The Company believes that the interest in the assets will increase as the timeline for projects become clearer and the supply and demand balance is improved. In the short term the Company is focused on the construction of the new builds, agreeing a supervision contract for the construction phase, which it signed on 31 July 2014, obtaining finance for the construction period and seeking charter parties for the vessels. The Company will continue to monitor the alternatives available to assess if any of these can add to shareholder value.

The Group is in detailed discussions to secure debt finance to cover all costs during the construction phase, until the delivery of the vessels. The expectation is that the Group will enter into an agreement for the provision of finance in Q3 2014. Given the expected costs the Company believes that, based upon the forecast fund raising, it will then have 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 Board believes the going concern position and risks remain both as described in the 2013 statutory accounts and as summarised by this Q2 2014 financial report, including note 2.



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 2014 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 2013 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of FLEX LNG Ltd
28 August 2014

David McManus (Chairman)

Ian Beveridge

Christopher Pittinger

Unaudited Interim Financial Report Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 June 2014	Unaudited				
	Q2 14	Q2 13	H1 14	H1 13	2013
Operating revenues	0	0	0	0	0
Total revenue	0	0	0	0	0
Administrative expenses	636	1,132	1,261	2,685	4,496
Impairment write (back)	0	0	0	0	(210,000)
Operating (loss) / profit before depreciation	(636)	(1,132)	(1,261)	(2,685)	205,504
Depreciation	0	8	0	22	32
Operating (loss) / profit	(636)	(1,140)	(1,261)	(2,707)	205,472
Finance income	0	8	1	18	21
Finance cost	0	(16)	0	(16)	(18)
(Loss) / profit before tax	(636)	(1,148)	(1,260)	(2,705)	205,475
Income tax expense	(3)	0	1	7	15
Net (loss) / profit	(633)	(1,148)	(1,261)	(2,712)	205,460
Attributable to:					
Equity holders of the parent	(633)	(1,148)	(1,261)	(2,712)	205,460
Earnings per share:					
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)	1.63

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 June 2014	Unaudited				
	Q2 14	Q2 13	H1 14	H1 13	2013
(Loss) / profit for the period	(633)	(1,148)	(1,261)	(2,712)	205,460
Exchange differences on translation	0	(25)	9	(54)	(51)
Total other comprehensive (loss) / profit	0	(25)	9	(54)	(51)
Total comprehensive income for the period	(633)	(1,173)	(1,252)	(2,766)	205,409
Attributable to:					
Equity holders of the parent	(633)	(1,173)	(1,252)	(2,766)	205,409

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 June 2014		Unaudited		
	Note	H1 14	H1 13	2013
New building assets and capitalised costs	3	210,686	0	210,525
Plant and equipment		2	14	0
Total non-current assets		210,688	14	210,525
Other current assets		137	402	149
Cash and cash equivalents	4	437	3,907	1,524
Total current assets		574	4,309	1,673
TOTAL ASSETS		211,262	4,323	212,198
Share capital		1,266	1,259	1,264
Share premium		562,822	562,494	562,659
Other equity		(353,234)	(560,549)	(352,142)
Equity attributable to equity holders of the parent		210,854	3,204	211,781
Total equity		210,854	3,204	211,781
Current liabilities		408	1,119	417
Total current liabilities		408	1,119	417
TOTAL EQUITY AND LIABILITIES		211,262	4,323	212,198



Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 June 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			(1,261)			(1,261)
Other comprehensive income				9		9
Total comprehensive income			(1,261)	9		(1,252)
Shares issued	2	163			(164)	1
Share-based payment (options)					203	203
Share-based payment (shares)					121	121
At 30.06.14	1,266	562,822	(363,474)	(313)	10,553	210,854

For the period ended 30 June 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			(2,712)			(2,712)
Other comprehensive income				(54)		(54)
Total comprehensive income			(2,712)	(54)		(2,766)
Shares issued	5	206			(211)	0
Share-based payment (options)					115	115
Share-based payment (shares)					170	170
At 30.06.13	1,259	562,494	(570,385)	(325)	10,161	3,204

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 30 June	Unaudited		
	H1 2014	H1 2013	2013
(Loss) / profit before tax	(1,260)	(2,705)	205,475
Non cash items	323	272	(209,315)
Working capital adjustments	6	166	(271)
Income tax paid	(4)	(46)	(56)
Interest received	1	23	32
Finance costs paid	0	0	(18)
Net cash flow from operating activities	(934)	(2,290)	(4,153)
Capitalised expenditure	(161)	0	(525)
Purchase of plant and equipment	(2)	0	0
Proceeds from the sale of fixed assets	0	5	7
Net cash flow used in investing activities	(163)	5	(518)
Proceeds from issue of share capital	1	0	0
Net cash flow from financing activities	1	0	0
Net cash flow	(1,096)	(2,285)	(4,671)
Net exchange translation effect	9	(54)	(51)
Cash balance at beginning of period	1,524	6,246	6,246
Cash balance at end of period	437	3,907	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 were focused on developing production, transportation and/or storage of liquefied natural gas and related activities, with a particular focus on LNG transportation. The interim condensed consolidated financial statements of the Group for the quarter and half year ended 30 June 2014 were authorised by the board of Directors for release on 29 August 2014.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter and half year ended 30 June 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 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 and 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 Q2 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; 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; 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 \$0.2m year to date (2013: \$nil), incurred directly by the Group in relation to the two LNGC's 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		
	H1 2014	H1 2013	2013
Cash at bank and in hand	437	3,907	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 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, and expects to have sufficient working capital to last through 2014. The Group has been in detailed discussions to secure debt finance to cover all costs during the construction phase, until the delivery of the vessels. The Group believes that it will secure an agreement for the provision of finance in Q3 2014, which it currently judges to be sufficient to cover the costs until 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 7: Key figures

	H1 2014	H1 2013	2013
No. of shares outstanding	126,612,902	125,881,432	126,365,641
No. of shares fully diluted ¹	136,788,957	135,976,787	136,639,196
Average no. of outstanding shares	126,499,354	125,788,188	126,040,816
Share price (NOK)	6.52	2.40	6.85
Market capitalisation (NOK'm)	826	302	866

Note¹: 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 30.06.14 are:

Share holder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	20,371,675	16.1%
KAWASAKI KISEN KAISHA LTD	17,291,866	13.6%
STATE STREET BANK ¹	13,486,167	10.7%
GOLDMAN SACHS & CO ¹	9,765,898	7.7%
MONTAGUE PLACE CUSTODIAN ¹	7,574,128	6.0%
B SCHULTE INVESTMENT HOLDING	6,304,425	5.0%
SKINDINAVISKA ENSKIL	5,807,848	4.6%
JP MORGAN SECURITIES LIMITED	4,630,811	3.7%
EUROCLEAR BANK S.A. ¹	4,445,002	3.5%
INVESCO PERP EUR MELLON	4,332,016	3.4%
OTHER	32,603,066	25.7%
Per VPS register	126,612,902	100.0%

Note¹ - Nominee account.