FLEX LNG GROUP

Q4 2013
& Year 2013

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2013

(Figures in brackets refer to the corresponding period of 2012)

At the end of August 2013 the Company and Samsung Heavy Industries (Samsung) executed a binding and final settlement agreement. As a result, arbitration proceedings have been discontinued and all actual and potential claims and counterclaims arising out of past relationships and contracts between the parties have been settled. As part and parcel of the settlement agreement, two ship building contracts have been entered into between Samsung and the FLEX LNG group for two 174,000 m^3 TFDE LNG Carriers at prices reflecting current market conditions. As a result of the settlement agreement the parties have agreed to redeploy $210.0m from payments already made to Samsung by the FLEX LNG group, which will be used as the first instalment for the two vessels. The remaining instalments will be due on delivery of the vessels. Deliveries are scheduled for Q1 2017. The parties are in addition investigating the potential use of 2-stroke propulsion engines for the LNG Carriers. The parties have also agreed to market for sale 6 complete offshore LNG loading arms, owned by the Company. Samsung will be responsible for the marketing and sales process for these and the parties will share any proceeds remaining after storage and marketing costs have been deducted.

The cash balances at 31 December were $1.5m (2012: $6.2m) with $1.7m net outflow (2012: $1.5m) in the quarter and $4.7m (2012: $8.5m) year to date. In the twelve months in 2013 the operating cash outflow was $4.1m (principally the operating profit after excluding the non cash and working capital movements), additionally there have been $0.5m of capitalised expenditures.

The loss before tax was $0.7m (2012: loss - $292.0m) in the quarter and profit of $205.5m (2012: loss - $298.7m) year to date. In 2013 there has been the re-instatement of the $210.0m initial LNGC instalments, leading to an impairment write-back. In the year there was also a $0.4m cost on the option and warrant schemes, (2012: $12.4m - credit).

Outlook, Financing and Risks

In October 2013 the Board announced that it had commenced a process to explore the strategic alternatives that are available to the Company. The outcome of such a process may be, inter alia, FLEX LNG being part of a business combination; a full or partial sale of the Company or its assets; or FLEX LNG entering into a strategic partnership with a third party. The Company has reviewed a number of possible alternatives and ascertained that there is interest in the assets under construction, however at present there is an element of uncertainty in the market due to the timing of a number of key LNG export projects causing deferrals in the ordering and/or chartering of new vessels. The Company believes that interest in the assets will continue to increase as the timeline of these 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 and seeking charter parties for the vessels. The Company will continue to monitor the strategic alternatives to assess if any of these alternatives can add to shareholder value.

Meanwhile the Company is in discussions to secure debt finance to cover all costs during the construction phase, until delivery of the vessels and hopes to conclude this process in the near future.

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2013

Outlook, Financing and Risks (continued)

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 2012 statutory accounts and as summarised by this Q4 2013 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 2013	Unaudited				
	Note	**Q4 13**	**Q4 12**	**2013**	**2012**
Operating revenues		0	0	0	0
Total revenue		**0**	**0**	**0**	**0**
Administrative expenses		692	(9,463)	4,496	(3,169)
Impairment write (back) / down	3	0	301,372	(210,000)	301,372
Operating profit / (loss) before depreciation		**(692)**	**(291,909)**	**205,504**	**(298,203)**
Depreciation		0	20	32	116
Operating profit / (loss)		**(692)**	**(291,929)**	**205,472**	**(298,319)**
Finance income		3	24	21	88
Finance cost		0	(128)	(18)	(510)
Profit / (loss) before tax		**(689)**	**(292,033)**	**205,475**	**(298,741)**
Income tax expense		3	24	15	57
Net profit / (loss)		**(692)**	**(292,057)**	**205,460**	**(298,798)**
Attributable to:					
Equity holders of the parent		(692)	(292,057)	205,460	(298,798)
Earnings per share:					
Basic and diluted		(0.01)	(2.34)	1.63	(2.39)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 December 2013	Unaudited				
	Note	**Q4 13**	**Q4 12**	**2013**	**2012**
Profit / (loss) for the period		**(692)**	**(292,057)**	**205,460**	**(298,798)**
Exchange differences on translation		(8)	16	(51)	43
Total other comprehensive (loss) / profit		(8)	16	(51)	43
Total comprehensive income for the period		**(700)**	**(292,041)**	**205,409**	**(298,755)**
Attributable to:					
Equity holders of the parent		(700)	(292,041)	205,409	(298,755)

FLEX LNG

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 December 2013		Unaudited	
	Note	**2013**	**2012**
New building assets and capitalised costs	3	210,525	0
Plant and equipment		0	77
Total non-current assets		**210,525**	**77**
Other current assets		149	483
Cash and cash equivalents	4	1,524	6,246
Total current assets		**1,673**	**6,729**
TOTAL ASSETS		**212,198**	**6,806**
Share capital		1,264	1,254
Share premium		562,659	562,288
Other equity		(352,142)	(557,857)
Equity attributable to equity holders of the parent		211,781	5,685
Total equity		**211,781**	**5,685**
Current liabilities		417	1,121
Total current liabilities		**417**	**1,121**
TOTAL EQUITY AND LIABILITIES		**212,198**	**6,806**

FLEX LNG

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

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			204,460	(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**

For the period ended 31 December 2012	**Share capital**	**Share premium reserve**	**P&L reserve**	**Exchange translation reserve**	**Option, warrant and shares**	**To equity holders**
At 01.01.12	1,248	561,946	(268,875)	(314)	22,401	316,406
Loss for the period			(298,798)			(298,798)
Other comprehensive income				43		43
Total comprehensive income			(298,798)	43		(298,755)
Shares issued	6	342			(348)	0
Share-based payment (options / warrants)					(12,381)	(12,381)
Share-based payment (shares)					415	415
At 31.12.12	1,254	562,288	(567,673)	(271)	10,087	5,685

FLEX LNG

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)	**Unaudited**	
For the period ended 31 December	**2013**	**2012**
Profit / (loss) before tax	205,475	(298,741)
Non cash items	(209,315)	290,333
Working capital adjustments	(271)	(127)
Income tax paid	(56)	(85)
Interest received	32	92
Finance costs paid	(18)	0
Net cash flow from operating activities	(4,153)	(8,528)
Capitalised expenditure	(525)	0
Purchase of plant and equipment	0	(23)
Proceeds from the sale of fixed assets	7	0
Net cash flow used in investing activities	(518)	(23)
Net cash flow	**(4,671)**	**(8,551)**
Net exchange translation effect	(51)	43
Cash balance at beginning of period	6,246	14,754
Cash balance at end of period	**1,524**	**6,246**

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 includes ten 100% owned subsidiaries. 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 twelve months and quarter ended 31 December 2013 were authorised for issue by the board of Directors on 27 February 2014 for release on 28 February 2014.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 31 December 2013 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 2012.

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 2012 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 finance and working capital on reasonable terms; and the commencement of the strategic review of the alternatives available to the Company. 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 2012, except for the adoption of new Standards and Interpretation in 2013, as noted below:

IFRS 1 - Amendment: Severe hyperinflation and removal of fixed dates for first time adopters; IFRS 1 - Amendment: Government Loans; IFRS 7 - Amendment: New disclosure requirements - Offsetting of Financial Assets and Financial Liabilities; IFRS 13 - Fair Value Measurement; IAS 1 – Amendment: Presentation of Items of Other Comprehensive Income; IAS 12 - Amendment: Deferred tax - Recovery of underlying assets; IAS 19 – Amendment Employee Benefits; IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and Improvements to IFRSs (2009-2011) - Amendment to IFRS 1 - Repeated application and Borrowing costs, IAS 1 - Clarification of the requirements for comparative information, IAS 16 - Classification of servicing equipment, IAS 32 - Tax effect of distributions to holders of equity instruments, and IAS 34 - Interim financial reporting and segment information for total assets and liabilities.

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

At the end of Q4 2013, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective:

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 9 - Financial Instruments; 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; IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting; IFRIC 21 - Levies and IAS 19 - Defined Benefit Plans, Employee Contributions.

The Group intends to adopt those standards, 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

Following the execution of a settlement agreement the Group entered into two ship building contracts with Samsung for 174,000 m^3 TFDE LNG Carriers. As a result of the settlement agreement the parties have agreed to redeploy $210m from payments already made to Samsung by the FLEX LNG group, which will be used as the first instalment for the two vessels. In the 2012 statutory accounts, under IAS 37, the advance payments to Samsung were derecognised as contingent assets. Given the settlement with Samsung the resultant asset value has been reinstated to the statement of financial position and an impairment write-back of $210m has been recognised in the income statement.

In the current quarter the Group has capitalised internal costs of $0.5m (2012: $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**	
	2013	**2012**
Cash at bank and in hand	1,524	6,246

Note 5: Capital commitments to Samsung

Under the settlement agreement $210m was redeployed to be used as the first instalment for the two vessels. The remaining instalment 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, based upon current capital raising plans, to have sufficient working capital to last through 2014.

The Company is in discussions to secure debt finance to cover all costs during the construction phase, until delivery of the vessels and hopes to conclude this process in the near future. 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

	2013	**2012**
No. of shares outstanding	126,365,641	125,412,622
No. of shares fully diluted[1]	136,639,196	135,857,977
Average no. of outstanding shares	126,040,816	125,173,030
Share price (NOK)	6.85	2.69
Market capitalisation (NOK'm)	866	337

Note[1]: 8,753,088 options and warrants are not expected to meet their vesting criteria, 1,520,467 options have exercise prices and hurdle rates between NOK 6 and 27.

FLEX LNG

Shareholders

The 10 main shareholders at 31.12.13 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	17,263,623	13.7%
DEUTSCHE BANK AG LONDON [1]	14,305,244	11.3%
STATE STREET BANK AND TRUST CO. [1]	13,486,167	10.7%
JP MORGAN CLEARING CORP. [1]	12,930,280	10.2%
GEVERAN TRADING CO	7,622,105	6.0%
B SCHULTE INVESTMENT HOLDING	6,272,543	5.0%
JP MORGAN SECURITIES LIMITED	4,423,376	3.5%
EUROCLEAR BANK S.A. [1]	4,345,496	3.4%
INVESCO PERP EUR MELLON SA/NV	4,332,016	3.4%
SIX SIS AG [1]	3,321,434	2.6%
OTHER	38,063,357	30.2%
Per VPS register	126,365,641	100.0%

Note[1] - Nominee account.