



# FLEX LNG GROUP

## Q1 2013

## BOARD REPORT

### Financials, First Quarter 2013

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

In 2013 the Company has initiated arbitration proceedings to secure the repayment of the paid-in funds with Samsung Heavy Industries ("Samsung") (giving credit for certain work undertaken by Samsung). The Company has appointed leading international law firm Pinsent Masons LLP to assist in this regard. It is not possible to predict, with certainty, the outcome of the arbitration proceedings with Samsung, nor the time or costs involved in completing such legal proceedings.

The cash balances at 31 March were \$4.9m (2012: \$11.6m) with \$1.4m net outflow (2012: \$3.2m) in the quarter. In the three months in 2013 the operating cash outflow was \$1.3m (principally the operating loss excluding non cash and working capital movements).

The loss before tax was \$1.6m (2012: \$1.7m) in the quarter. In the current quarter there has been continued legal expenditures of \$0.4m and restructuring costs of \$0.2m. In the period there was also a \$0.1m cost on the option and warrant schemes, (2012: \$1.4m - credit).

### Outlook, Financing and Risks

Given the expected arbitration costs in 2013 the Company believes that, based upon forecast levels of cash utilisation, it will have sufficient working capital to operate throughout 2013 and into 2014.

There can of course be no assurance that arbitration costs will be as forecast or that any agreement will be reached with Samsung. 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 Q1 2013 financial report, including note 2.

## Unaudited Interim Financial Report

### Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 31 March 2013	Unaudited		
	Q1 13	Q1 12	2012
Operating revenues	0	0	0
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>
Administrative expenses	1,553	1,516	(3,169)
Impairment write down	0	0	301,372
<b>Operating loss before depreciation</b>	<b>(1,553)</b>	<b>(1,516)</b>	<b>(298,203)</b>
Depreciation	14	32	116
<b>Operating loss</b>	<b>(1,567)</b>	<b>(1,548)</b>	<b>(298,319)</b>
Finance income	10	25	88
Finance cost	0	(127)	(510)
<b>Loss before tax</b>	<b>(1,557)</b>	<b>(1,650)</b>	<b>(298,741)</b>
Income tax expense	7	19	57
<b>Net loss</b>	<b>(1,564)</b>	<b>(1,669)</b>	<b>(298,798)</b>
<b>Attributable to:</b>			
Equity holders of the parent	(1,564)	(1,669)	(298,798)
<b>Earnings per share:</b>			
Basic	(0.01)	(0.01)	(2.39)
Diluted	(0.01)	(0.01)	(2.39)

### Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 March 2013	Unaudited		
	Q1 13	Q1 12	2012
<b>Loss for the period</b>	<b>(1,564)</b>	<b>(1,669)</b>	<b>(298,798)</b>
Exchange differences on translation	(29)	29	43
Total other comprehensive (loss) / profit	(29)	29	43
<b>Total comprehensive income for the period</b>	<b>(1,593)</b>	<b>(1,640)</b>	<b>(298,755)</b>
<b>Attributable to:</b>			
Equity holders of the parent	(1,593)	(1,640)	(298,755)

## Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 March 2013	Unaudited		
Note	Q1 2013	Q1 2012	2012
New building assets and capitalised costs	0	342,412	0
Plant and equipment	63	147	77
<b>Total non-current assets</b>	<b>63</b>	<b>342,559</b>	<b>77</b>
Other current assets	316	956	483
Cash and cash equivalents	3 4,888	11,602	6,246
<b>Total current assets</b>	<b>5,204</b>	<b>12,558</b>	<b>6,729</b>
<b>TOTAL ASSETS</b>	<b>5,267</b>	<b>355,117</b>	<b>6,806</b>
Share capital	1,259	1,251	1,254
Share premium	562,494	562,087	562,288
Other equity	(559,500)	(249,870)	(557,857)
Equity attributable to equity holders of the parent	4,253	313,468	5,685
<b>Total equity</b>	<b>4,253</b>	<b>313,468</b>	<b>5,685</b>
Other financial liabilities	0	29,640	0
<b>Total non-current liabilities</b>	<b>0</b>	<b>29,640</b>	<b>0</b>
Current liabilities	1,014	12,009	1,121
<b>Total current liabilities</b>	<b>1,014</b>	<b>12,009</b>	<b>1,121</b>
<b>Total liabilities</b>	<b>1,014</b>	<b>41,649</b>	<b>1,121</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,267</b>	<b>355,117</b>	<b>6,806</b>



## Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 31 March 2013	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
<b>At 01.01.13</b>	<b>1,254</b>	<b>562,288</b>	<b>(567,673)</b>	<b>(271)</b>	<b>10,087</b>	<b>5,685</b>
Loss for the period			(1,564)			(1,564)
Other comprehensive income				(29)		(29)
Total comprehensive income			(1,564)	(29)		(1,593)
Shares issued	5	206			(211)	0
Share-based payment (options / warrants)					76	76
Share-based payment (shares)					85	85
<b>At 31.03.13</b>	<b>1,259</b>	<b>562,494</b>	<b>(569,237)</b>	<b>(300)</b>	<b>10,037</b>	<b>4,253</b>

For the period ended 31 March 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			(1,669)			(1,669)
Other comprehensive income				29		29
Total comprehensive income			(1,669)	29		(1,640)
Shares issued	3	141			(144)	0
Share-based payment (options / warrants)					(1,383)	(1,383)
Share-based payment (shares)					85	85
At 31.03.12	1,251	562,087	(270,544)	(285)	20,959	313,468

## Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

<b>For the period ended 31 March 2013</b>	<b>Q1 2013</b>	<b>Unaudited Q1 2012</b>	<b>2012</b>
Loss before tax	(1,557)	(1,650)	(298,741)
Non cash items	148	(889)	290,333
Working capital adjustments	73	(639)	(127)
Income tax paid	0	(23)	(85)
Interest received	7	21	92
<b>Net cash flow from operating activities</b>	<b>(1,329)</b>	<b>(3,180)</b>	<b>(8,528)</b>
Purchase of plant and equipment	0	(1)	(23)
<b>Net cash flow used in investing activities</b>	<b>0</b>	<b>(1)</b>	<b>(23)</b>
<b>Net cash flow</b>	<b>(1,329)</b>	<b>(3,181)</b>	<b>(8,551)</b>
Net exchange translation effect	(29)	29	43
Cash balance at beginning of period	6,246	14,754	14,754
<b>Cash balance at end of period</b>	<b>4,888</b>	<b>11,602</b>	<b>6,246</b>

## 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 eight 100% owned subsidiaries. The Group's activities were focused on developing production, transportation and/or storage of liquefied natural gas and related activities.

The interim condensed consolidated financial statements of the Group for the quarter ended 31 March 2013 were authorised for issue by the board of Directors on 23 May 2013 for release on 24 May 2013.

### Note 2: Accounting principles

**Basis of preparation** - The interim condensed consolidated financial statements for the quarter ended 31 March 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 and as summarised below. These include: the final calculation of the recoverable amount for the paid in instalments with Samsung; the arbitration process; agreeing the level of paid-in instalments available for redeployment with Samsung, should a commercial agreement be reached, including and the economics of such Alternative Deployment (including being able to secure employment contracts on reasonable terms for any alternative vessel constructed by Samsung); potential Samsung claims on the Company; and obtaining finance and working capital at reasonable terms. 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 as of 1 January 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.

As of the end of Q1 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; and IFRS 10, IFRS 12, IAS 27 - Amendments: Investment Entities.

The Group intends to adopt those standards when they become effective. Currently the Group estimates that the implementation will have no impact, or are unable to determine the impact.

## Note 3: 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)*

	<b>Unaudited</b>		
	<b>Q1 2013</b>	<b>Q1 2012</b>	<b>2012</b>
Cash at bank and in hand	4,888	11,602	6,246

## Note 4: Capital commitments and financial liabilities to Samsung

The Company believes that no payments are due to Samsung. Given the arbitration process that has been initiated by the Company the Company believes that the final settlement position will be on a net basis, where agreed costs and liabilities are offset against paid in funds.

## Note 5: 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.

Given the expected arbitration costs in 2013 the Company believes, based upon forecast levels of cash utilisation, that the Company will have sufficient working capital to operate throughout 2013 and into 2014. The Company is however considering alternative options and the timing for raising additional working capital, should the need arise to enable the arbitration process to be completed. 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.

Considering the above the Board believes that the going concern assumption currently remains appropriate for the Group, and expects, based upon current levels of cash utilisation, to have sufficient working capital to last through 2013.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed in the report.

## Note 6: Key Figures

	Q1 2013	Q1 2012	2012
No. of shares outstanding	125,881,432	125,059,074	125,412,622
No. of shares fully diluted	135,976,787	134,910,429	135,857,977
Average no. of outstanding shares	125,693,908	124,926,407	125,173,030
Share price (NOK)	2.50	4.65	2.69
Market capitalisation (NOK'm)	315	582	337

## Shareholders

The 10 main shareholders at 31.03.13 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	17,163,933	13.6%
JP MORGAN CLEARING CORP. <sup>1</sup>	16,226,543	12.9%
STATE STREET BANK AND TRUST CO. <sup>1</sup>	13,486,167	10.7%
INTEROIL FINANCE INC.	8,938,913	7.1%
DEUTSCHE BANK AG LONDON <sup>1</sup>	7,978,079	6.3%
SIX SIS AG <sup>1</sup>	6,412,598	5.1%
B SCHULTE INVESTMENT HOLDING	6,172,853	4.9%
INVESCO PERP BNY MELLON SA/NV	5,120,340	4.1%
JP MORGAN SECURITIES LIMITED	4,989,500	4.0%
GOLDMAN SACHS & CO – EQUITY <sup>1</sup>	3,654,213	2.9%
OTHER	35,738,293	28.4%
Per VPS register	125,881,432	100.0%

Note<sup>1</sup> - Nominee account.