FLEX LNG GROUP

Q4 2012
& Year 2012

FLEX LNG

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2012

(Figures in brackets refer to the corresponding period of 2011)

The Company has been engaged in discussions with Samsung Heavy Industries ("Samsung") in relation to the funds previously paid by the Company to Samsung including how they might be applied for alternative purposes. The plan was to apply an amount of paid-in instalments, net of deductions, each to be determined for the construction of LNG carriers and/or regasification vessels (the "Alternative Deployment"). The parties have not been able to agree on the terms of such Alternative Deployment, including the level of paid-in instalments that are to be carried over to the Alternative Deployment.

Given that the parties had not reached agreement on the amount of capital to be redeployed the Company, in December 2012, requested that the remaining capital be refunded by Samsung. The refund amount requested was after credit being given for costs properly and reasonably incurred by Samsung on the Company's behalf. To date no refund has been made, with Samsung disputing the Company's position and arguing that no refund is due. Following the completion of certain contractual requirements for meetings between the parties' representatives prior to the commencement of arbitration proceedings, the Company has commenced the steps required to initiate arbitration proceedings to secure the repayment of the paid-in funds. The Company has appointed the 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 December were $6.2m ($14.8m) with $1.5m net outflow ($2.1m net outflow) in the quarter and $8.5m net outflow ($4.9m – net inflow) year to date. In the twelve months in 2012 the operating cash outflow was $8.5m (principally the operating loss excluding non cash movements).

The loss before tax was $292.0m ($116.9m) in the quarter and $298.7m ($135.9m) year to date, with a year to date retained net loss of $298.8m ($136.0m). In the current quarter there has been an impairment adjustment of $301.4m (further details below), reduced staff and general overhead costs, partly offset by additional legal expenditures. The legal expenditures for the year were $1.5m, with the majority relating to legal counsel advice following the review of historical contracts and correspondence with Samsung. In the year there was also a net credit of $12.4m as the accounting on the option and warrant schemes was amended to reflect that the Company expects that the majority of these will not vest by the scheme expiry date, (2011: $4.3m - charge).

In the 2011 statutory accounts, the Group recognised an impairment write-down on the new build assets under IAS 36, of $112.3m. IAS 37 covers the recognition criteria and measurement applied to contingent assets. It is the view of the Company that the valuation basis for the new building assets now falls within the definition of a contingent asset. Contingent assets are only recognised where realisation is virtually certain. Where the realisation of the asset is probable the asset should not be recognised in the statement of financial position. In Q4 2012 the new building assets have therefore been written down by $285.0m. The final valuation will either depend on the arbitration process or a possible agreement between the parties. Once the outcome of the legal position with Samsung is virtually certain the resultant asset value will be reinstated in the financial statements. In addition a calculation of the recoverable amount for the Topside capitalised costs has been completed under IAS 36 and a further $16.4m impairment write down has been incurred. Refer to note 4 for more details.

Outlook, Financing and Risks

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.

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 2011 statutory accounts and as summarised by this Q4 2012 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 2012	Unaudited				
	Note	Q4 12	Q4 11[1]	2012	2011
Operating revenues		0	0	0	0
Total revenue		**0**	**0**	**0**	**0**
Administrative expenses		(9,463)	2,213	(3,169)	13,287
Impairment write down	4	301,372	112,291	301,372	112,291
Operating loss before depreciation		**(291,909)**	**(114,504)**	**(298,203)**	**(125,578)**
Depreciation		20	30	116	146
Operating loss		**(291,929)**	**(114,534)**	**(298,319)**	**(125,724)**
Finance income		24	30	88	77
Finance cost		(128)	(2,407)	(510)	(10,224)
Loss before tax		**(292,033)**	**(116,911)**	**(298,741)**	**(135,871)**
Income tax expense		24	22	57	88
Net loss		**(292,057)**	**(116,933)**	**(298,798)**	**(135,959)**
Attributable to:					
Equity holders of the parent		(292,057)	(116,933)	(298,798)	(135,959)
Earnings per share:					
Basic		(2.34)	(0.97)	(2.39)	(1.13)
Diluted		(2.34)	(0.97)	(2.39)	(1.13)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 December 2012	Unaudited				
	Note	Q4 12	Q4 11[1]	2012	2011
Loss for the period		**(292,057)**	**(116,933)**	**(298,798)**	**(135,959)**
Exchange differences on translation		16	(13)	43	(14)
Total other comprehensive profit / (loss)		16	(13)	43	(14)
Total comprehensive income for the period		**(292,041)**	**(116,946)**	**(298,755)**	**(135,973)**
Attributable to:					
Equity holders of the parent		(292,041)	(116,946)	(298,755)	(135,973)

Note[1]: The 2011 Q4 numbers have been updated to reflect the final audit position for 2011, additional details in note 2.

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 December 2012		**Unaudited**	
	Note	**2012**	**2011[1]**
New building assets and capitalised costs	4	0	342,412
Plant and equipment		77	178
Investment – unquoted shares	5	0	0
Total non-current assets		**77**	**342,590**
Other current assets		483	1,049
Loan	5	0	0
Cash and cash equivalents	6	6,246	14,754
Total current assets		**6,729**	**15,803**
TOTAL ASSETS		**6,806**	**358,393**
Share capital		1,254	1,248
Share premium		562,288	561,946
Other equity		(557,857)	(246,788)
Equity attributable to equity holders of the parent		5,685	316,406
Total equity		**5,685**	**316,406**
Other financial liabilities	7	0	29,238
Total non-current liabilities		**0**	**29,238**
Current liabilities	7	1,121	12,749
Total current liabilities		**1,121**	**12,749**
Total liabilities		**1,121**	**41,987**
TOTAL EQUITY AND LIABILITIES		**6,806**	**358,393**

Note[1]: The 2011 numbers have been updated to reflect the final audit position for 2011, additional details in note 2.

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Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

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**

For the period ended 31 December 2011	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.11	1,130	552,490	(132,916)	(300)	10,091	430,495
Loss for the period			(135,959)			(135,959)
Other comprehensive income				(14)		(14)
Total comprehensive income			(135,959)	(14)		(135,973)
Shares issued	118	9,499			7,545	17,162
Expenses related to share issue		(43)				(43)
Share-based payment (options / warrants)					4,265	4,265
Share-based payment (shares)					500	500
At 31.12.11	1,248	561,946	(268,875)	(314)	22,401	316,406

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 31 December 2012	Unaudited 2012	2011
Loss before tax	(298,741)	(135,871)
Non cash items	290,333	127,141
Working capital adjustments	(127)	9,397
Income tax paid	(85)	(140)
Interest received	92	69
Net cash flow from operating activities	(8,528)	596
Purchase of plant and equipment	(23)	(56)
Payment on new building assets & capitalised expenditure	0	(4,961)
Net cash flow used in investing activities	(23)	(5,017)
Net proceeds of share issue	0	9,300
Net cash flow from financing activities	0	9,300
Net cash flow	**(8,551)**	**4,879**
Net exchange translation effect	43	(14)
Cash balance at beginning of period	14,754	9,889
Cash balance at end of period	**6,246**	**14,754**

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 twelve months and quarter ended 31 December 2012 were authorised for issue by the board of directors on 22 February 2013.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 31 December 2012 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 2011.

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 2011 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

Note 2: Accounting principles (continued)

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.

Amendment to the 2011 comparative amounts – In the Q4 2011 financial report the Company did not recognise an impairment under IAS 36. This was due to the Company being in discussions with Samsung to establish the instalment capital available for re-deployment options and inputs that would have had an impact on projected cash flows, and therefore the impairment value was dependent upon such discussions. Subsequently in the 2011 statutory accounts an impairment adjustment of $112.3m was included. The Q4 2011 comparatives have been amended to reflect this impairment.

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 2011, except for the adoption of new Standards and Interpretation as of 2012, as noted below:

IFRS 7 - New disclosures for de-recognition of financial instruments. The adoption of this amendment has had no material impact on the financial position or performance of the Group.

As of the end of Q4 2012, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective:

IFRS 1 - Amendment: Severe hyperinflation and removal of fixed dates for first time adopters; IFRS 7 - Amendment: New disclosure requirements - Offsetting of Financial Assets and Financial Liabilities; IFRS 10 – Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities; 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;; IAS 27 Revised Separate Financial Statements; IAS 28 Revised Investments in Associates and Joint Ventures; IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities; IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; IFRS 1 - Amendment: Government Loans; IFRS 9 - Financial Instruments; IFRS 10, IFRS 11, IFRS 12 - Amendments - Transition Guidance; IFRS 10, IFRS 12, IAS 27 - Amendments: Investment Entities; 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 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: Option and warrant costs

In Q4 2012 the Company issued 1,200,000 options to the Founders of the Company (Philip Fjeld, Jostein Ueland and Trym Tveitnes), at 400,000 per person. The credit for all outstanding options and warrants for the quarter was $11.5m (2011: $0.7m – cost) and a $12.4m credit year to date (2011: $4.3m cost). The 2012 credit for the year is split $8.6m warrants and $3.8m options. The exercise rights for the majority of the options and warrants are based on vesting criteria linked to commercial targets and a scheme expiry date of 31/12/16. The 2012 credit is based on the assumption that these commercial targets are not achievable. The calculation for the historical option and warrant schemes (excluding the new 2012 allocation) are as follows; where vested the historical income statement charge remains; where not vested and where vesting is conditional on a performance condition, the historical charge is reversed back to the income statement; where not vested, and where vesting is only conditional on employees rendering services to the company until a certain date, amortisation of the grant date fair value continues as is until the vesting date. The summary position is detailed below.

Option and Warrants Schemes	Warrants	Options - Founders	Options – 2008-9	Options - 2010	Options - 2011	Options - Founders	Total
At 01 January	6,631,455	2,000,000	1,105,000	644,500	200,000	0	10,580,955
Forfeited 2012			(669,600)	(466,000)	(200,000)		(1,335,600)
Vested 2012			(108,850)	(59,500)			(168,350)
Granted 2012						1,200,000	1,200,000
At 31 December	6,631,455	2,000,000	326,550	119,000	0	1,200,000	10,277,005
Not expected to meet vesting criteria:	6,631,455	2,000,000	217,700	119,000			8,968,155
Vesting criteria date related:			108,850				108,850
Potential to meet vesting criteria:						1,200,000	1,200,000
	6,631,455	2,000,000	326,550	119,000	0	1,200,000	10,277,005

None of the 168,350 vested options have been exercised, average exercise price 19NOK.

Note 4: New Building Assets and Capitalised Costs

Historically the carrying values for the capitalised development costs and instalment payments have been valued under IAS 36, impairment of assets. Additional details can be found in the 2011 statutory accounts. The view of the Company is that the position between the Company and Samsung will only be resolved following the commencement of an arbitration process between the two parties. In December 2012 the Company wrote to Samsung, noting that the contracts were abandoned and requesting the return of funds, after the deduction of cost properly and reasonably incurred, Samsung has not accepted this position. Given this the Company has commenced the steps to initiate arbitration proceedings against Samsung.

IAS 37 covers the recognition and measurement criteria applied to provisions, contingent liabilities and contingent assets. A contingent asset is defined as; a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. It is the view of the Company that the valuation basis for the new building assets falls within this definition. Given this the Company has netted the liabilities due to Samsung against the previous carrying value for the new building assets and has then written off the remaining carrying value to impairment costs in the income statement, $285.0m. The final value for the instalments paid to Samsung will either depend on the outcome of the arbitration process or a possible future agreement between the two parties. It is not possible with any certainty to predict the outcome of arbitration proceedings with Samsung, nor the time or costs involved in completing such legal

Note 4: New Building Assets and Capitalised Costs (continued)

proceedings. Once the outcome of the arbitration proceedings or the commercial position with Samsung is virtually certain the Company will reinstate the resultant asset value to the statement of financial position.

The remaining capitalised costs relating to the near and off shore LNGP designs has been impaired by $16.4m based on a calculation of its recoverable amount under IAS 36.

2012 Capitalised Asset Movements	**Unaudited**
(Unaudited figures in USD,000)	**2012**
At 1 January – Impaired payments on account	326,000
Offset – Samsung loan, per note 8	(10,000)
Offset – Samsung liabilities, per note 8	(31,040)
Impairment – IAS 37	(284,960)
At 31 December	0
At 1 January – Impaired capitalised costs	16,412
Impairment – IAS 36	(16,412)
At 31 December	0

Note 5: Investment and loan

At 31 December 2012 the Group holds 5% of the share capital of Minza Limited ("Minza"), which has a carrying value of $nil (2011: $nil). The Group has also loaned Minza $1,532k, carrying value of $nil (2011: $nil). The terms of the loan provided that if the loan was not repaid by Minza by 31 October 2011 the loan would convert into 13.75% of the shares in Minza. Currently Minza has not executed the conversion of the loan into additional share capital; the Company does not accept this position.

Note 6: 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**	
	2012	**2011**
Cash at bank and in hand	6,246	14,754

Note 7: Other financial liabilities and current liabilities

Under historical arrangements Samsung has covered certain costs for the Group, including the FEED related costs for the Gulf LNG Project. At 31 December 2012 it is estimated that up to $31,040k (2011: $30,079k) of such cost had been incurred by Samsung. The Company's view is that the contracts with Samsung have been abandoned. The position between the parties in this regard will depend upon the outcome of the arbitration process or a possible future agreement between the parties. Given this the Company does not believe these amounts are due to Samsung with the final settlement position being on a net basis, where agreed costs and liabilities are offset against paid in funds. The $31,040k has therefore been offset against the new building assets, prior to the IAS 37 valuation adjustment.

In addition a $Nil (2011: $69k) provision for the property lease liabilities is included, based on a fair value allocation on the lease acquired by FLEX LNG Management Limited.

Note 7: Other financial liabilities and current liabilities (continued)

In Q1 2012 current liabilities included a $10.0m short term loan repayable in Q1 2012. In April 2012 the Company notified Samsung to set off the amount against the shipbuilding instalments paid in by the Company. The company has in Q2 2012 offset the $10.0m loan against the new building assets and capitalised costs.

Additional details on the offset are contained in note 4.

Note 8: Capital commitments

The Company believes that no payments are due to Samsung. Given the arbitration process that is being 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 9: 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.

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.

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.

FLEX LNG

Note 10: Key Figures

	2012	2011
No. of shares outstanding	125,412,622	124,778,313
No. of shares fully diluted	135,857,977	135,359,268
Average no. of outstanding shares	125,173,030	120,240,027
Share price (NOK - 31.12.12)	2.69	2.45
Market capitalisation (NOK'm - 31.12.12)	337	306

Shareholders

The 10 main shareholders at 31.12.12 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	17,085,836	13.6%
JP MORGAN CLEARING CORP. [1]	16,226,543	12.9%
STATE STREET BANK AND TRUST CO. [1]	13,486,167	10.7%
INTEROIL FINANCE INC.	8,938,913	7.1%
DEUTSCHE BANK AG LONDON [1]	7,978,079	6.4%
SIX SIS AG [1]	6,672,734	5.3%
B SCHULTE INVESTMENT HOLDING	6,094,756	4.9%
JP MORGAN SECURITIES LIMITED	4,989,500	4.0%
INVESCO PERP BNY MELLON SA/NV	4,874,383	4.0%
GOLDMAN SACHS & CO – EQUITY [1]	3,487,450	2.8%
OTHER	35,578,261	28.3%
Per VPS register	125,412,622	100.0%

Note[1] - Nominee account.