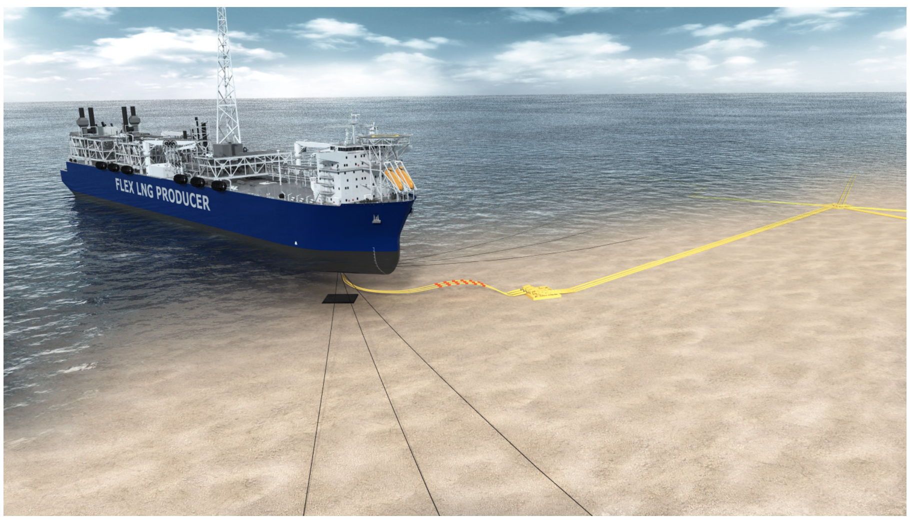
FLEX LNG GROUP



Q4 2010
& Year 2010

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

FLEX LNG

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2010

(Figures in brackets refer to the corresponding period of 2009)

During the fourth quarter the FLEX LNG group of companies ("the Group") has continued to develop what it expects could be amongst the world's first LNG Producers. In the quarter costs of $1.7m ($2.5m) were capitalised on the four units and year to date $12.6m ($22.4m). In the quarter the Company has recognised an impairment write down of $97.8m on the four LNG Producers.

The cash balances at 31 December were $9.9m ($25.7m) with $3.3m ($4.6m - inflow) net outflow in the quarter and $15.8m ($23.8m) year to date. In the twelve months in 2010 the operating cash outflow was $7.6m (principally the operating loss and working capital movements); investing activities outflow $12.7m (capitalised asset costs); and financing activities inflow $4.5m (proceeds from deferred payments to Samsung).

The loss before tax was $100.2m ($2.9m) in the quarter and $108.7m ($10.3m) year to date, with a year to date retained net loss of $108.9m ($10.5m). 2010 has been impacted by the $97.8m impairment charge on the four LNG Producers.

Outlook

The Group continues to focus on securing employment for the LNG Producers and is discussing alternative commercial arrangements for the employment, such as integrated projects consisting of gas supply contracts with oil and gas companies, product handling agreements for the services of the LNG Producers, and LNG sales and purchase contracts with LNG off-takers as well as more traditional charter arrangements. The Group is currently pursuing a number of opportunities. In November 2010 the Group announced that the talks with an Asian National Oil Company to join a floating liquefaction project had ceased.

In December 2010 the Group announced that it was targeting to sign binding amended terms to the commercial relationship between FLEX LNG and Samsung, with a target of completing by the end of February 2011. At present discussions are continuing as to the best way to restructure the commercial relationship. Given the range of possible outcomes the Group has completed a review of the carrying amounts of the four LNG Producers. Based on preliminary calculations the Group has recognised an impairment write-down on the four units of $97.8m. The final position will be dependent on the conclusion of the negotiations with Samsung and on a number of factors that are outside the control of the Group. The calculation will be updated once the commercial position is settled.

BOARD REPORT

Outlook (continued)

In June 2009 FLEX Petroleum Limited, a wholly owned subsidiary of FLEX LNG, entered into an option agreement setting out the terms to acquire control of Jersey-based Minza Oil & Gas Limited ("Minza"), additional details in note 5. In Q2 2010 the seismic surveys and interpretation were completed for the "Anita" and "Wombat" structures. On the preliminary data, estimated GIIP figure for the Chuditch Main, Chuditch West and Wombat structures are a combined total of more than 3 tcf. In 2010 an option period extension was signed to the original option agreement allowing more time to agree terms with a development partner. The option extension period expired in October 2010 and the Company no longer has control over the asset via the purchase option. The loss of control has been accounted for as a disposal and the results of Minza are no longer included in the Group consolidated results. The Company continues to investigate alternatives with the Seller as to the best way to continue the commercialisation of the gas reserves.

Financing and Risks

The Company acknowledges the current challenging fund raising environment it faces and the impact that this has on the ability of the Group to finance its funding requirement. Samsung has indicated that no instalment payments are due before 1 March 2011 and the Company has yet to agree a payment profile. Under the Principle Agreement with Samsung the resumption notice had to be given by 31 May 2010, see note 9. The Company's decision not to issue any resumption notice by that date resulted in a right to Samsung to cancel all the four shipbuilding contracts as well as the EPCIC contract for M-FLEX 1; additional details in note 4. Samsung has informed FLEX LNG that it will work with the Group with the aim of amending the terms of the Principle Agreement. In addition Samsung has informed FLEX LNG that it presently has no intention of exercising any right of termination and that the instalment profile needs to be amended and linked to the achievement of final investment decision ("FID") and the proposed contractual structure for the first unit. Currently the Company is in negotiations with Samsung to sign binding amended terms to the commercial relationships between the two companies. The Group aims to rearrange its obligations and raise capital, if necessary, to allow the Company more time to achieve a FID for at least one of the LNG Producers. These steps would allow the Group to finance its operations over the year.

The Board believes the going concern position and risks remain as described in the 2009 statutory accounts and as updated by the Q4 2010 financial report, note 2.

FLEX LNG

Unaudited Interim Financial Report

Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 31 December 2010	Unaudited			
	Q4 10	**Q4 09**	**2010**	**2009**
Operating revenues	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**
Operating expenses	1,496	2,926	10,003	10,414
Impairment write down	98,689	0	98,689	0
Operating loss before depreciation	**(100,185)**	**(2,926)**	**(108,692)**	**(10,414)**
Depreciation	43	60	211	250
Operating loss	**(100,228)**	**(2,986)**	**(108,903)**	**(10,664)**
Finance income	20	104	222	393
Loss before tax	**(100,208)**	**(2,882)**	**(108,681)**	**(10,271)**
Income tax expense	71	104	173	186
Net loss	**(100,279)**	**(2,986)**	**(108,854)**	**(10,457)**
Attributable to:				
Equity holders of the parent	(100,279)	(2,824)	(108,659)	(10,165)
Non-controlling interests	0	(162)	(195)	(292)
Earnings per share:				
Basic	(0.89)	(0.03)	(0.96)	(0.10)
Diluted	(0.89)	(0.03)	(0.96)	(0.10)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 December 2010	Unaudited			
	Q4 10	**Q4 09**	**2010**	**2009**
Loss for the period	**(100,279)**	**(2,986)**	**(108,854)**	**(10,457)**
Exchange differences on translation	(1)	(6)	(9)	(291)
Other comprehensive (loss)	(1)	(6)	(9)	(291)
Total comprehensive income for the period	**(100,280)**	**(2,992)**	**(108,863)**	**(10,748)**
Attributable to:				
Equity holders of the parent	(100,280)	(2,830)	(108,668)	(10,456)
Non-controlling interests	0	(162)	(195)	(292)

FLEX LNG

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 31 December 2010		Unaudited	
	Note	**2010**	**2009**
New build contracts	4	431,232	516,391
Plant and equipment		267	385
Investment – unquoted shares	5	875	0
Intangible assets	5	0	36,251
Total non-current assets		**432,374**	**553,027**
Other current assets		836	925
Loan	5	1,532	0
Cash and cash equivalents	6	9,889	25,679
Total current assets		**12,257**	**26,604**
TOTAL ASSETS		**444,631**	**579,631**
Share capital		1,130	1,127
Share premium		552,490	552,243
Other equity		(123,125)	(16,729)
Equity attributable to equity holders of the parent		430,495	536,641
Non-controlling interests		0	33,147
Total equity		**430,495**	**569,788**
Other financial liabilities	7	10,937	6,415
Total non-current liabilities		**10,937**	**6,415**
Current liabilities		3,199	3,428
Total current liabilities		**3,199**	**3,428**
Total liabilities		**14,136**	**9,843**
TOTAL EQUITY AND LIABILITIES		**444,631**	**579,631**

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Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 31 December 2010	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders	Non controlling interests	Total equity
At 01.01.10	**1,127**	**552,243**	**(24,257)**	**(291)**	**7,819**	**536,641**	**33,147**	**569,788**
Loss for the period			(108,659)			**(108,659)**	(195)	**(108,854)**
Other comprehensive income				(9)		**(9)**		**(9)**
Total comprehensive income			(108,659)	(9)		**(108,668)**	(195)	**(108,863)**
Expenses related to share issue		(35)				**(35)**		**(35)**
Exchange adjustments						**0**	(140)	**(140)**
Disposal of non controlling interest						**0**	(32,812)	**(32,812)**
Cost of share-based payment (options / warrants)					2,367	**2,367**		**2,367**
Shares issued	3	282			(285)	**0**		**0**
Cost of share-based payment (shares)					190	**190**		**190**
At 31.12.10	**1,130**	**552,490**	**(132,916)**	**(300)**	**10,091**	**430,495**	**0**	**430,495**

For the period ended 31 December 2009	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders	Non controlling interests	Total equity
At 01.01.09	1,024	543,417	(14,092)	0	5,940	536,289	0	536,289
Loss for the period			(10,165)			(10,165)	(292)	(10,457)
Other comprehensive income				(291)		(291)		(291)
Total comprehensive income			(10,165)	(291)		(10,456)	(292)	(10,748)
Issue of new shares	103	9,897				10,000		10,000
Expenses related to share issue		(1,071)				(1,071)		(1,071)
On acquisition						0	33,836	33,836
Exchange adjustments						0	(397)	(397)
Cost of share-based payment (options / warrants)					1,689	1,689		1,689
Cost of share-based payment (shares)					190	190		190
At 31.12.09	1,127	552,243	(24,257)	(291)	7,819	536,641	33,147	569,788

FLEX LNG

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 31 December 2010	Unaudited 2010	Unaudited 2009
Net cash flow from operating activities	(7,556)	(14,820)
Net cash flow used in investing activities	(12,714)	(23,906)
Net cash flow from financing activities	4,489	15,197
Net cash flow	**(15,781)**	**(23,529)**
Net translation effect	(9)	(291)
Cash balance at beginning of period	25,679	49,499
Cash balance at end of period	**9,889**	**25,679**

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 active subsidiaries and, up to the expiry of the Company's option in October 2010, the Company's interest in Minza Oil and Gas Limited. The Group's activities are focused on developing production and storage of liquefied natural gas.

The interim condensed consolidated financial statements of the Group for the twelve months and quarter ended 31 December 2010 were authorised for issue by the board of directors on 25 February 2011.

Note 2: Accounting principles

Basis of preparation

The interim condensed consolidated financial statements for the twelve months and quarter ended 31 December 2010 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 2009.

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 those noted in the 2009 accounts and additionally now take account of the need to renegotiate the instalment profile and contracts with Samsung, the risk of cancellation by Samsung, the preliminary nature of the commercial discussions and the initial nature of the impairment estimation in relation to the LNG Producers.

The Group is operating in only one segment with respect to products and services. Segment reporting is thus not relevant.

Significant 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 2009, except for the adoption of new Standards and Interpretation as of 1 January 2010, as noted below;

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Note 2: Accounting principles (continued)

Significant accounting policies (continued)

IFRS 3 (revised) Business Combinations – The revised Standard is expected to impact the accounting for future acquisitions primarily regarding goodwill, contingent consideration and transaction costs.

IFRS 9 Financial Instruments – This will replace the recognition and measurement rules in the current IAS 39. Considering the current scope and use of financial instruments, the impact of the changes is not expected to have any material effect.

IAS 24 (revised) Related Party Disclosures – The changes in IAS 24 are not expected to be material.

IAS 27 (revised) Consolidated and Separate Financial Statements – The Standard could affect the consolidated accounts in cases of derecognition of subsidiaries and allocations between controlling and non-controlling parties.

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

Note 3: Option, warrant and salary costs

In Q1, Q2, Q3 and Q4 2010 the Company issued 814,500, 2,000, 92,500 and nil new options to staff with exercise prices of 6.5NOK and 27NOK. In addition a staff bonus scheme has been introduced, which is linked to key commercial goals for the Group. The P&L credit for all outstanding options and warrants for the quarter was $(0.3)m ($0.9m - cost) and a charge of $2.4m ($1.7m) year to date. In Q4 2010 the Company has amended the assumptions for the expected vesting dates and the period when staff are expected to exercise their options; this has lead to a credit in the quarter, as the vesting period is extended.

Note 4: New building contracts

In the twelve months ended 31 December 2010 the Group has capitalised costs of $8.2m ($16.4m) from Samsung, split $5.3m, $1.1m, $1.0m and $0.8m between Q1, Q2, Q3 and Q4. In addition $4.4m ($6.0m) of costs incurred directly by the Group have been capitalised in 2010, split $1.4m, $1.0m, $1.1m and $0.9m between Q1, Q2, Q3 and Q4. The carrying value of the contractual payments and the capitalised costs are dependent on the continued contractual position with Samsung; the ability to secure an employment contract at economically viable terms; and securing financing. If these are not achievable, the carrying values would require additional material impairments. In the quarter the Company has recognised impairment write downs of $97.8m on the four LNG Producers, based on a preliminary estimate of the impact from the restructure negotiations that have been commenced, but not concluded with Samsung. Capitalised interest of $1.2m is included in the twelve months within capitalised costs ($0.6m).

Note 5: Investment in Minza Oil and Gas Limited

The initial 12 month option period, which expired in H1 2010, was extended to October 2010, when it lapsed. Given this lapse, the resulting change has been accounted for in the Q4 financial report. A gain of $22k has been recognised on the disposal. At 31 December FLEX LNG holds 5% of the share capital of Minza. The cost of this investment was $1.7m, which has been written down to $875k and a loss of $825k recognised, in addition capitalised costs of $113k have been written off. FLEX LNG has loaned Minza $1,532k. In the twelve months from option expiry, the loan can be converted by FLEX LNG into 8.75% of the shares in Minza, or if not repaid by Minza converted into 13.75% of the shares in Minza. The loan bears interest at LIBOR plus 1%. The following amounts, in relation to Minza have been included in the consolidated income statement.

Minza Oil and Gas Limited	**2010**	**2009**
(Unaudited figures in USD,000)		
Revenue – (eliminated in consolidation)	202	0
Net revenue	202	0
Costs	404	307
Loss before tax	(202)	(307)
Non-controlling interests	(195)	(292)
Assets and liabilities disposed		
Plant and equipment	4	
Intangible assets	1,759	
Other current assets	22	
Cash and cash equivalents	24	
Current liabilities	(38)	
Shareholder loans ($1,532k relates to FLEX)	(2,353)	
Net assets	(582)	
FLEX investment	(1,700)	
Non controlling interest	2,260	
Total net liabilities disposed	(22)	
P&L on disposal		
Proceeds	0	
Net liabilities disposed	(22)	
Profit on disposal	22	

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**	
	2010	**2009**
Cash at bank and in hand	9,889	25,679

Note 7: Other financial liabilities

In 2009 the Group entered into an agreement (Principle Agreement) with Samsung covering the revised payment profile during the slow down phase. Under the agreement, in addition to the agreed instalments, the Group had the opportunity to defer up to $4m of expenditure in 2009. The amount deferred will be repayable with the first milestone billing after the slow down phase and bears interest at 7% per annum. At 31 December 2010 $3.9m ($3.7m) had been deferred, including interest. In addition certain vendor costs and obligations to Samsung under the EPCIC contract are covered by Samsung. These amounts become payable by the Group not earlier than seven months after the resumption date. At 31 December 2010 it is estimated that $6.9m ($2.5m) in obligations have been incurred by Samsung on behalf of the Group and a provision has been made for this cost. In addition a $0.1m ($0.2m) provision for the property lease liabilities is included, based on a fair value allocation on the FLEX LNG Management Limited acquisition.

Note 8: Capital commitments

At 31 December 2010, the Group had capital payment commitments of $2,500m (Hulls - $1,776m vessels 1-4, Topside - $724m vessel 1) with Samsung. The payment profile, based on a 30 June 2010 resumption date and expected design would have been: 2010 $143m; 2011 $411m; 2012 $837m; 2013 $404m; and 2014 $705m. Given that the resumption notice has not been issued the profile will need to be updated once the negotiations with SHI are concluded. Included within accruals and other financial liabilities is respectively $1.4m and $10.8m in relation to these commitments, which have yet to be paid. The Group has started discussions with Samsung to vary this payment profile.

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.

The Company acknowledges the current challenging fund raising environment it faces and the impact that this has on the ability of the Group to finance its funding requirement. Samsung has indicated that no instalment payments are due before 1 March 2011 and the Company has yet to agree a payment profile. Under the Principle Agreement with Samsung the resumption notice had to be given by 31 May 2010. The Company’s decision not to issue any resumption notice by that date resulted in a right to Samsung to cancel all the four shipbuilding contracts as well as the EPCIC contract for M-FLEX 1; additional details in note 4. Samsung has informed FLEX LNG that it will work with the Group with the aim of amending the terms of the Principle Agreement. In addition Samsung has informed FLEX LNG that it presently has no intention of exercising any right of termination and that the instalment profile needs to be amended and linked to the achievement of FID and the proposed contractual structure for the first unit. Currently the Company is in negotiations with Samsung to sign binding amended terms to the commercial relationships between the two companies. The Group aims to rearrange its obligations and raise capital, if necessary, to allow the Company more time to achieve a FID for at least one of the LNG Producers. These steps would allow the Group to finance its operations over the year.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties linked to future funding requirements.

Note 10: Financing

Instalments payable to Samsung would likely need to be rearranged with Samsung and ultimately financed by raising equity and project debt financing from the financial markets. Samsung has confirmed in writing that no payments are due before 1 March 2011, at the earliest. The revised payment profiles for the vessels will be dependent on the restructuring negotiations with Samsung, which have yet to be concluded.

Note 11: Events after the balance sheet date

Issue of shares

In 2011 the Company has issued 118,879 new shares to the members of the Board of Directors, as part of their remuneration for the second half of 2010.

Note 12: Key Figures

	2010	2009
No. of shares outstanding	113,043,243	112,746,190
No. of shares fully diluted	123,759,698	122,712,645
Average no. of outstanding shares	112,947,425	104,213,188
Share price (NOK)	4.25	6.10
Market capitalisation (NOK'm)	480	688

Shareholders

The 10 main shareholders at 31.12.10 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	16,957,416	15.0%
STATE STREET BANK AND TRUST CO. [1]	13,486,167	11.9%
JP MORGAN CLEARING CORP.[1]	13,225,510	11.7%
JP MORGAN CHASE BANK[1]	6,168,638	5.5%
B SCHULTE INVESTMENT HOLDING	5,666,019	5.0%
BANK OF NEW YORK MELLON SA/NV	4,309,507	3.8%
GOLDMAN SACHS & CO - EQUITY[1]	3,722,098	3.3%
MORGAN STANLEY & CO INTERNAT. PLC[1]	3,140,962	2.8%
BROWN BROTHERS HARRIMAN & CO	3,068,690	2.7%
JP MORGAN CLEARING CORP. [1]	3,010,033	2.7%
OTHER	40,288,203	35.6%
Per VPS register	113,043,243	100.0%

Note[1] - Nominee account.