HÖEGH LNG

## INTERIM RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2011

### Highlights

- Total income of USD 30.0 million, up 18 % from the fourth quarter 2010
- Operating profit before depreciation of USD 3.5 million, up from USD 3.3 million the forth quarter 2010
- Awarded an engineering study for an FLNG solution for the Tamar gas field offshore Israel
- Financial closing of USD 288 million debt facility agreement

### Subsequent events

- Signed 20 year charter agreement with PT Perusahaan Gas Negara for the Medan FSRU
- Selected preferred bidder for a 10 year FSRU charter agreement with AB Klaipedos Nafta in Lithuania
- Signed six month charter agreement for LNG Libra providing shipping services to the North West Shelf
- Raised USD 206 million in new equity in a private placement
- Exercised option for delivery of one additional FSRU new building from Hyundai Heavy Industries

### Financial review

Höegh LNG Holdings Ltd. ("Höegh LNG" or the "Company") reports USD 30.0 million in total consolidated income for the fourth quarter 2011, up from USD 25.4 million in the same quarter last year. The income is up mainly due to increased operating expenses being passed on to charterers, no dry-docking during the quarter, and a success fee relating to the operating performance of GDF Suez Neptune and Cape Ann.

Operating profit before depreciation was USD 3.5 million in the quarter, up from 3.3 million in the fourth quarter 2010, while ordinary loss before tax was USD 8.5 million, compared to a loss of 8.1 million in the fourth quarter 2010. The quarterly figures include an increased employee bonus provision triggered by the Company's share price appreciation during the quarter and costs relating to the unscheduled dry-docking and repair of Arctic Princess. Net cash flow from operating activities was USD 9.1 million in the fourth quarter, up from USD 5.1 million in the same quarter last year, while net decrease in cash and cash equivalents for the period was USD 7.7 million, down from an increase of USD 3.1 million in the fourth quarter 2010.

Total income for 2011 was USD 109.8 million, up from USD 94.9 million in the previous year. Operating profit before depreciation for 2011 was USD 26.1 million, up from USD 24.0 million in 2010. The main reason for the increase in income is the full year recognition of GDF Suez Cape Ann and STX Frontier in the 2011 accounts, both vessels delivered mid 2010. Total comprehensive income for the year is impacted negatively by the marked-to-market of interest rate swaps relating to existing vessel financing. The group's financial position has strengthened during the year due to new equity raised in connection with the initial public offering of the Company's shares in July 2011 and the subsequent private placement in February 2012. At the end of 2011, the group held USD 36.6 million in cash and cash equivalents, as well as USD 90.1 million in marketable securities.

### Corporate matters

*Share capital*

The Company raised approximately USD 200 million in new equity net of fees in a private placement in February 2012. A total of 22 641 509 new shares were issued in the placement directed towards existing and new shareholders. The new shares were issued on 8 February 2012 increasing the total number of shares outstanding from 47 009 170 at year-end 2011 to 69 650 679. The percentage of shares owned by Leif Höegh & Co. Limited was consequently reduced to 44.4 %.

A subsequent share offering will be directed towards existing shareholders with 40 000 shares or less as of 2 February, who did not participate in the private placement, whereby such shareholders will have the right to subscribe for and be allocated 0.5 new share for each share held at the said date. The subsequent share offering will constitute up to 636,552 shares, each with a subscription price of NOK 53.

On 2 February 2012, the Company announced a stock option plan for its senior management. The strike price of the 735 000 options is NOK 53 per share. The options will vest with one third on 31 December 2013, 2014 and 2015, respectively, and expire in 2017.

*New building program*

The construction phase for the first two floating storage and regasification unit ("FSRU") new buildings on order at Hyundai is in preparation, with steel-cutting scheduled to start in July 2012. In February 2012, the Company exercised one of its options for the delivery of an additional FSRU and now has three vessels on order at the yard. Delivery of the third FSRU is scheduled for the second quarter 2014. Two of the FSRUs have secured employment for the Medan and Klaipeda FSRU projects, respectively, while the third FSRU is available for new projects. Having exercised the first option, Höegh LNG has options with specified contract prices and delivery times for two additional FSRUs.

*Financing*

Höegh LNG has a USD 288 million debt facilities agreement in place providing 50 % funding for up to two FSRUs on order at Hyundai Heavy Industries Co. Limited ("Hyundai") for up to three years after delivery. The facilities agreement may be used for the FSRUs currently on order and/or the optional vessels, but not for more than two of the vessels at a time. The facilities are intended as a back-up financing should employment of the vessels not be secured before delivery. Lenders under the facility are Citibank, Credit Agricole, DNB Bank, Fokus Bank and Nordea.

Long-term project financing will be raised for FSRU projects including the respective vessels on order at Hyundai after project award. Bank of Tokyo-Mitsubishi UFJ and Standard Chartered Bank have been mandated to assist the Company with the Medan FSRU project financing where the first FSRU new building will be employed. DNB Bank has been mandated to assist with the Klaipeda project financing, where the second FSRU new building will be employed.

**Business review**

*Regasification*

The Company signed in January 2012 a firm and final agreement with PT Perusahaan Gas Negara ("PGN") to provide PGN with an FSRU and a mooring system offshore Belawan, near the city of Medan, in North Sumatra, Indonesia. PGN is the largest natural gas transportation and distribution company in Indonesia, majority owned by the state and stock listed. The project will employ the first of Höegh LNG's FSRUs under construction at Hyundai. The agreement is a firm 20 year charter party with two five year options to extend to a total period of 30 years. This is the first agreement of this duration in the FSRU market. The estimated EBITDA contribution is approximately USD 40 million per year for the first 20 years and approximately USD 60 million per year for the extension periods, totalling approximately USD 1 400 millions including the extension periods. The delivered cost of the vessel and mooring is approximately USD 320-330 million. The target start-up date is in September 2013.

In January 2012, Höegh LNG was selected the preferred bidder for 10 year charter agreement with AB Klaipedos Nafta for an FSRU to be located in the Port of Klaipeda in Lithuania. AB Klaipedos Nafta is a stock listed oil and gas company owned 70.63 % by the government of Lithuania. The project will employ the second FSRU under construction at Hyundai. The 10 year agreement will generate an annual estimated EBITDA contribution of approximately USD 50 million. The FSRU will have full trading capabilities and higher regasification capacity compared to the specifications of the Medan FSRU. The delivered cost of the FSRU is estimated at USD 320-330 million. Target start-up of the project is second half of 2014.

Höegh LNG is actively involved in five on-going tender processes and one bi-lateral discussion for FSRU projects world-wide. All the said processes are expected to lead to contract awards during 2012.

*Transportation*

The Company signed in January 2012 a six month time charter agreement for the LNG carrier "LNG Libra" providing shipping services to the North West Shelf project in Australia. The time charter starts upon delivery of the vessel from its previous owner in June or July 2012. The EBITDA contribution from the six month charter is expected to be about USD 12 million. Employing LNG Libra under short term charter agreements provides the Company with attractive returns and flexibility to use the vessel as a FSRU conversion candidate if a suitable conversion project should materialise.

Höegh LNG has an option to purchase the 2010 built LNG carrier STX Frontier with delivery in the second half of 2013. The vessel is currently being offered in the medium term time charter market. If the Company is successful in chartering the vessel out on attractive terms, the intention is to exercise the purchase option.

Arctic Princess had an unscheduled dry-docking to service a propeller shaft bearing in the fourth quarter 2011, but is now back in normal operation. All other vessels in the fleet performed as planned during the quarter.

*Floating liquefaction*

Höegh LNG entered in December 2011 into an agreement with Daewoo Shipbuilding & Marine Engineering ("Daewoo") to initiate a pre-FEED (front-end engineering design) study for an FLNG solution for the Tamar gas field offshore Israel. The work scope might be extended to also cover a project specific FEED based on Höegh LNG's generic FEED. If a final investment decision is made to explore the field using an FLNG solution, the intention is that Höegh LNG and selected partners shall own and operate the FLNG.

The Company believes the long term ownership of the FLNG business area should be structured and financed separately from Höegh LNG's other businesses. The Company has in this respect initiated a process of evaluating various structural alternatives and potential partners in facilitating the realisation of its FLNG project portfolio.

**Market**

It is expected that natural gas will be the fastest-growing major fuel through to 2040, with demand rising by more than 60 %. Much of this growth is driven by additional power generation and the shift in feed-stock at existing power plants from coal, oil and nuclear to natural gas. Demand is expected to grow in every part of the world, but especially in the Asia Pacific region and Europe. In Asia pacific, demand for natural gas is expected to triple over the next 30 years.

The incremental demand for natural gas is expected to be supplied as LNG from new liquefaction capacity coming on stream. Australia alone is expected to account for approximately 50 % of all new liquefaction capacity anticipated to come on stream over the next four-five years. The global liquefaction capacity currently totals approximately 280 million tonnes per annum ("mtpa"), while new capacity under development and/or in the planning phase totals around 150 mtpa.

The world's fleet of LNG carriers currently stands at about 360 vessels. The order book counts approximately 60 vessels, of which the majority is scheduled to be delivered during the second half of 2014. The global LNG carrier fleet is currently highly utilised with record high spot rates. Current day rates for modern tonnage has been reported at USD 150 000 per day for short term employment. The shipping market is expected to remain tight for the next couple of years. Looking further ahead, the existing fleet including new building orders will likely not be sufficient to cover the incremental increase in LNG trade. The anticipated US export of LNG is alone expected to create a further surge in demand for shipping tonnage due to increased average shipping distance to premium markets.

It is estimated that global regasification capacity will increase from 565 mtpa located in 25 countries and 90 terminals at the end of 2011 to 778 mtpa located in 48 countries and 160 terminals by the end of 2015 (source: J.P.Morgan Cazenove). Höegh LNG believes an increasing share of new regasification capacity world-wide will be realised as FSRU projects, as this is a time and cost efficient alternative compared to traditional land based solutions. For many potential projects it is the only economically viable solution to adding more regasification capacity. The increasing preference for this solution is evidenced by the high and increasing number of potential FSRU projects identified. As of today, the Company has identified in excess of 30 potential regasification projects world-wide.

Shell’s decision to develop the Prelude field using a FLNG solution has been a game-changer for the floating liquefaction industry. Up-stream operators are to a larger extent considering FLNG solutions in developing existing gas reserves. Inpex has chosen FLNG as the technical solution for the Masela field, although no final investment decision has been reached yet. Due to the shale gas production in the US and the pricing of gas at the Henry Hub, the US will now start exporting LNG, creating now opportunities for the of the FLNG technology.

### Outlook

The Company’s near term focus will be on planning for the execution of recently awarded projects and the FSRU new building program, raising long-term project financing for the said projects, and securing employment of the one FSRU on order without employment.

Project execution teams are in the process of being established. Project leaders have been nominated and the rest of the execution teams are being established. The process of raising financing for the Medan and Klaipeda FSRUs has started and is progressing according to plan. Likely sources of financing will soon be approached with a request for financing. The company is currently involved in several tendering processes for potential new FSRU projects, most of which are anticipated to be awarded during 2012.

### Forward looking statements

This interim report contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including examination of historical operating trends made by the management of Höegh LNG. Although the Group believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and are beyond its control, Höegh LNG cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changes in LNG transportation and regasification market trends; changes in the supply and demand for LNG; changes in trading patterns; changes in applicable maintenance and regulatory standards; political events affecting production and consumption of LNG and Höegh LNG’s ability to operate and control its vessels; change in the financial stability of clients of the Company; Höegh LNG’s ability to win upcoming tenders and securing employment for the FSRUs on order; changes in Höegh LNG’s ability to convert LNG carriers to FSRUs including the cost and time of completing such conversions; changes in Höegh LNG’s ability to complete and deliver projects awarded; increases in the Company’s cost base; changes in the availability of vessels to purchase; failure by yards to comply with delivery schedules; changes to vessels’ useful lives; changes in the ability of Höegh LNG to obtain additional financing, in particular, currently, in connection with the turmoil in financial markets; the success in achieving commercial agreements for the projects being developed by the Company; changes in applicable regulation and laws. Unpredictable or unknown factors herein also could have material adverse effects on forward-looking statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2011

| | | Unaudited | Unaudited | Unaudited | Audited |
|---|---|---|---|---|---|
| **USD'000** | **Notes** | **4Q2011** | **4Q2010** | **Jan Dec 2011** | **Jan Dec 2010** |
| Freight revenues | | 27 798 | 24 433 | 105 133 | 91 975 |
| Voyage expenses | | (18) | (42) | (130) | (530) |
| **Income on T/C basis** | | **27 780** | **24 390** | **105 003** | **91 445** |
| Management and other income | | 2 172 | 1 059 | 4 777 | 3 484 |
| **Total income** | | **29 952** | **25 449** | **109 780** | **94 928** |
| Charterhire expenses | | (5 074) | (4 851) | (20 130) | (19 244) |
| Operating expenses | | (10 633) | (8 126) | (32 433) | (27 076) |
| Administrative expenses | | (6 530) | (5 142) | (16 982) | (13 549) |
| Project development expenses | | (4 247) | (4 059) | (14 160) | (11 076) |
| **Operating profit before depreciation** | 3 | **3 468** | **3 271** | **26 074** | **23 983** |
| Depreciation | | (4 485) | (4 316) | (18 150) | (13 811) |
| Impairment | 9 | (1 363) | - | (1 363) | - |
| **Operating profit** | | **(2 380)** | **(1 045)** | **6 562** | **10 172** |
| **Gain/(loss) on sale of assets** | | - | **(3)** | **(80)** | **(3)** |
| Interest income | | 48 | 144 | 669 | 223 |
| Interest expenses | | (6 325) | (6 572) | (25 200) | (22 435) |
| Income from other financial items | | 154 | - | 777 | 908 |
| Expenses from other financial items | | (19) | (671) | (611) | (47) |
| **Net financial items** | | **(6 143)** | **(7 099)** | **(24 366)** | **(21 352)** |
| **Ordinary profit or loss before tax** | | **(8 522)** | **(8 147)** | **(17 884)** | **(11 183)** |
| Tax | | (105) | (197) | 201 | (787) |
| **Profit (loss) for the period** | | **(8 628)** | **(8 344)** | **(17 683)** | **(11 970)** |
| **Other comprehensive income** | | | | | |
| Net gain (loss) on hedging reserves | 7 | (270) | 37 440 | (48 711) | (19 725) |
| **Total comprehensive income/(loss)** | | **(8 897)** | **29 096** | **(66 393)** | **(31 694)** |
| **Profit /(loss) of the year attributable to (from):** | | | | | |
| Equity holders of the parent | | (8 628) | (8 043) | (17 597) | (11 357) |
| Non-controlling interests | | - | (301) | (86) | (613) |
| | | **(8 628)** | **(8 344)** | **(17 683)** | **(11 970)** |
| **Total comprehensive income attributable to (from):** | | | | | |
| Equity holders of the parent | | (8 897) | 28 181 | (66 259) | (30 441) |
| Non-controlling interests | | - | 915 | (134) | (1 253) |
| | | **(8 897)** | **29 096** | **(66 393)** | **(31 694)** |
| Earnings per share attributable to ordinary equity holders of Höegh LNG Holdings Ltd: | | | | | |
| > basic, profit for the year | | (0,19) | (0,31) | (0,48) | (0,42) |
| > diluted, profit for the year | | (0,19) | (0,31) | (0,48) | (0,42) |

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2011

| USD'000 | Notes | Unaudited 2011 31-Dec | Unaudited 2011 30-Sep | Audited 2010 31-Dec |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| **Intangible assets** | | | | |
| Deferred tax assets | | 740 | 523 | 210 |
| Licenses, design and other intangibles | 3 | 81 955 | 82 940 | 80 058 |
| **Tangible assets** | | | | |
| Vessels | | 449 754 | 453 808 | 466 203 |
| Deposit for vessel acquisition | | 5 300 | 5 300 | - |
| Newbuildings | 6 | 52 133 | 51 061 | - |
| Equipment | | 2 304 | 2 370 | 1 382 |
| Non-current financial assets | | 107 | 114 | 487 |
| Other non-current assets | | 8 116 | 1 759 | 1 412 |
| Restricted cash | | 12 552 | 12 552 | 10 216 |
| **Total non-current assets** | | **612 961** | **610 427** | **559 968** |
| **Current assets** | | | | |
| Bunkers and other inventories | | 131 | 216 | 129 |
| Trade and other receivables | | 4 850 | 2 897 | 7 215 |
| Interest bearing receivables | | - | - | 52 628 |
| Marketable securities | 4 | 90 098 | 90 104 | - |
| Cash and cash equivalents | | 36 614 | 44 363 | 28 779 |
| **Total current assets** | | **131 694** | **137 580** | **88 752** |
| **TOTAL ASSETS** | | **744 655** | **748 006** | **648 720** |
| **EQUITY AND LIABILITES** | | | | |
| **Equity** | | | | |
| Issued capital | | 470 | 470 | 271 |
| Share premium reserve | | 142 487 | 142 498 | 3 560 |
| Treasury shares | | (12) | (12) | (1) |
| Other reserves | | (131 649) | (122 530) | (81 120) |
| Other paid in capital | | (8 849) | (8 849) | - |
| Retained earnings | | 130 840 | 130 618 | 150 800 |
| **Equity attributable to equity holders of the parent** | | **133 287** | **142 196** | **73 510** |
| Non-controlling interest | | - | - | (475) |
| **Total equity** | | **133 287** | **142 196** | **73 035** |
| **Non-current liabilities** | | | | |
| Pension liabilities | | 7 986 | 8 748 | 7 293 |
| Long-term interest bearing debt | | 426 269 | 429 493 | 438 880 |
| Other non-current financial liabilities | 7 | 113 606 | 112 785 | 60 164 |
| Other long-term debt | | 9 666 | 9 488 | 9 280 |
| **Total non-current liabilities** | | **557 527** | **560 514** | **515 617** |
| **Current liabilities** | | | | |
| Short-term interest bearing debt | | 12 872 | 12 630 | 12 131 |
| Trade and other payables | | 6 646 | 4 277 | 8 334 |
| Income tax payable | | 498 | 158 | 712 |
| Other current financial liabilities | 7 | 24 484 | 23 618 | 30 727 |
| Provisions and accruals | | 9 340 | 4 613 | 8 165 |
| Total current liabilities | | **53 841** | **45 297** | **60 068** |
| **TOTAL EQUITY AND LIABILITIES** | | **744 655** | **748 006** | **648 720** |

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE PERIOD ENDED 31 DECEMBER

| USD'000 | Notes | Unaudited 4Q2011 | Unaudited 4Q2010 | Unaudited 2011 | Audited 2010 |
|---|---|---|---|---|---|
| **Operating activities:** | | | | | |
| Profit /(loss) before tax for the period | | (8 522) | (8 147) | (17 884) | (11 183) |
| *Non-cash adjustment to reconcile profit before tax to net operational cash flow* | | | | | |
| Loss/ (gain) sale of assets | | - | 3 | 80 | 3 |
| Depreciation vessels, drydocking and equipment | | 4 485 | 4 316 | 18 150 | 13 811 |
| Impairment (reversal impairment) | | 1 363 | - | 1 363 | - |
| Fair value adjustments on marketable securities | | 201 | (1 313) | 98 | - |
| Realized (gains) losses from marketable securities | | - | (553) | - | (553) |
| Interest income | | (48) | (144) | (669) | (223) |
| Interest cost | | 6 325 | 6 572 | 25 200 | 22 435 |
| *Working capital adjustments* | | - | - | | |
| Change in inventories, receivables and payables | | 5 263 | 4 265 | (1 303) | (964) |
| Interest received | | 44 | 73 | 69 | 199 |
| Payment of income tax | | - | 76 | (597) | (530) |
| **i) Net cash flow operating activities** | | **9 111** | **5 148** | **24 507** | **22 996** |
| **Investing activites:** | | | | | |
| Proceeds from sale of marketable securities | | - | 6 000 | - | 19 000 |
| Proceeds from settlement of interest bearing receivables | | - | - | 51 295 | - |
| Interest received on interest bearing receivables | | - | - | 651 | - |
| Investments in marketable securities | 4 | - | - | (90 000) | - |
| Investments in vessels and newbuildings | | (1 002) | (1 847) | (52 063) | (57 135) |
| Vessel acquisition deposit | | - | | (5 300) | - |
| Investments in intangibles | | (490) | (2 099) | (3 412) | (5 702) |
| Proceeds from sale of equipment | | - | 267 | 83 | 267 |
| Investment in equipment | | (346) | (952) | (1 616) | (968) |
| Investment in pre-contract costs | | (1 804) | - | (1 804) | - |
| **ii) Net cash flow investing activities** | | **(3 643)** | **1 369** | **(102 166)** | **(44 538)** |
| **Financing activites:** | | | | | |
| Proceeds from borrowings | | - | 5 382 | - | 55 207 |
| Repayment of borrowings | | (3 050) | (1 898) | (12 131) | (5 664) |
| Interest paid | | (6 362) | (6 949) | (25 201) | (21 044) |
| Issue of share capital | 5 | - | - | 131 813 | - |
| Transaction costs of issue of shares | 5 | (11) | - | (5 385) | - |
| Acquisition of non-controlling interest | | (0) | - | (47) | (175) |
| Sale of non-controlling interest | | 0 | - | 239 | - |
| Payment of finance cost | | (3 794) | - | (3 794) | - |
| **iii) Net cash flow financing activities** | | **(13 217)** | **(3 466)** | **85 494** | **28 324** |
| **Net increase/(decrease) in cash and cash equivalents (i+ii+iii)** | | **(7 749)** | **3 051** | **7 835** | **6 782** |
| Current cash, cash equivalents at the beginning of the period | | 44 363 | 25 729 | 28 779 | 21 998 |
| **Current cash and cash equivalents at the end of the period** | | **36 614** | **28 779** | **36 614** | **28 779** |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE PERIOD ENDED 31 DECEMBER 2011

| | | Attributable to the owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **USD'000** | **Notes** | Issued capital | Share premium | Treasury shares | Hedging reserves | Other paid in capital | Retained earnings | **Total** | Non-controlling interest | **Total equity** |
| **At 31 December 2010 (audited)** | | **271** | **3 561** | **(1)** | **(81 120)** | **-** | **150 800** | **73 510** | **(475)** | **73 035** |
| Profit (loss) for the period | | - | - | - | - | - | (17 597) | (17 597) | (86) | (17 683) |
| Other comprehensive income / (loss) | 7 | | - | - | (48 663) | - | - | (48 663) | (48) | (48 711) |
| *Total comperehensive income* | | - | - | - | *(48 663)* | - | *(17 597)* | *(66 259)* | *(134)* | *(66 393)* |
| Cancellation of shares held in treasury | 5 | (1) | - | 1 | - | - | - | - | - | - |
| Acquisition of non-controlling interest | | - | - | - | - | - | (58) | (58) | 11 | (47) |
| Sale of non-controlling interest | | - | - | - | - | - | 290 | 290 | (51) | 239 |
| Issue of share capital (17 June 2011) | 5 | 12 | 12 687 | - | - | - | - | 12 699 | - | 12 699 |
| Shares' swap (17 June 2011) | 5 | - | - | (12) | (1 866) | (8 849) | (2 595) | (13 322) | 650 | (12 673) |
| Issue of share capital (30 June 2011) | 5 | 171 | 119 819 | - | - | - | - | 119 990 | - | 119 990 |
| Issue of share capital (9 August 2011) | 5 | 17 | 11 805 | - | - | - | - | 11 822 | - | 11 822 |
| Transaction costs | 5 | - | (5 385) | - | - | - | - | (5 385) | - | (5 385) |
| **At 31 December 2011 (unaudited)** | | **470** | **142 487** | **(12)** | **(131 649)** | **(8 849)** | **130 840** | **133 287** | **-** | **133 287** |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE PERIOD ENDED 31 DECEMBER 2010

| | Attributable to the owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **USD'000** | Issued capital | Share premium | Treasury shares | Hedging reserves | Other paid in capital | Retained earnings | **Total** | Non-controlling interest | **Total equity** |
| **At 31 December 2009 (audited)** | **271** | **365** | **(4)** | **(62 036)** | **-** | **162 248** | **100 845** | **861** | **101 706** |
| Profit (loss) for the period | - | - | - | - | - | (11 357) | (11 357) | (613) | (11 970) |
| Other comprehensive income / (loss) | - | - | - | (19 084) | - | - | (19 084) | (641) | (19 725) |
| *Total comperehensive income* | - | - | - | *(19 084)* | - | *(11 357)* | *(30 440)* | *(1 254)* | *(31 694)* |
| Sale of treasury shares | - | 3 195 | 3 | - | - | | 3 198 | - | 3 198 |
| Acquisition of non-controlling interest | - | - | - | - | - | (92) | (92) | (83) | (175) |
| **At 31 December 2010 (audited)** | **271** | **3 560** | **(1)** | **(81 119)** | **-** | **150 800** | **73 511** | **(476)** | **73 035** |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Höegh LNG Holdings Ltd. is a limited company domiciled and incorporated under the laws of the Islands of Bermuda on 6 November 2006. Its registered address is Canon's Court, 22 Victoria Street, Hamilton HM12 Bermuda. On 9 June 2010 the Company's name was changed from Leif Höegh & Co. Limited to Höegh LNG Holdings Ltd.

The consolidated financial statements of the Company comprise the Company, its subsidiaries, and joint ventures (together referred to as the "Group"). Höegh LNG is a fully integrated ship owning Group, managing and operating a fleet of two shuttle and regasification vessels (SRV) and five LNG carriers. Five of the seven vessels are partly owned by the Group. The SRVs act as floating terminals while delivering natural gas to the market.

Höegh LNG's strategy is to add value to its customers by broadening its scope of business beyond conventional LNG transportation services, to include a wider range of value chain services, such as LNG production, transportation, storage, regasification and market access services.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 December 2011 have been prepared in accordance with IAS 34. The 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 2010.

### 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 2010, except for the adoption of new standards, amendments and interpretations effective and adopted as of 1 January 2011. None of these had a material impact on the Group's financial statements.

## 3. SEGMENT INFORMATION

The Group's reporting structure is divided into the following four segments:

### LNG transportation

The LNG transportation segment shows the income on T/C basis from the regular LNG carriers, Arctic Princess (on a 100 % basis), Arctic Lady (100 %), Norman Lady (50 %) and management income, which is the net revenue of USD 2 000 per day from STX Frontier. The segment contains charter hire expenses, i.e., bare boat hire paid to external owners for Arctic Princess (66 %) and Arctic Lady (50 %), as well as operating expenses for Arctic Princess (100 %), Arctic Lady (100 %) and Norman Lady (50 %).

Arctic Princess and Arctic Lady are on long-term time charter with Statoil ASA and Total E&P Norge AS, until 13 January 2026 and 13 April 2026, respectively, each with optional extension periods of five plus five years. Norman Lady is on a time charter with Gas Natural Aprovisionamientos SDG. S.A. until 22 September 2012, with a potential extension of seven years. STX Frontier is chartered from STX Pan Ocean and re-let on a time charter basis to Repsol Comercializadora de Gas S.A. until 1 April 2013 with optional extension periods of three plus three months.

### Floating Regasification

The floating regasification segment shows the income on T/C basis and the operating expenses from the shuttle and regasification vessels GDF Suez Neptune (50 %) and GDF Suez Cape Ann (50 %).

The two vessels are on long-term charter agreements with GDF Suez Global LNG Supply SA until 30 November 2029 and 1 June 2030, with optional extension periods of five plus five years.

### Project Development

The project development segment contains income, expenses and capitalised costs relating to the Group's development of floating regasification terminals and floating production vessels for LNG.

The capitalised costs relate to investments in front-end engineering and design of an LNG FPSO, licences and permits obtained for the Group's deep water ports in England and the USA, and investments in the development of a containment system for compressed natural gas.

### Other

The Group has segments that do not individually meet the quantitative threshold to report segment information. Further, administrative costs are managed on a group basis and are not allocated to operating segments. Such segments and administrative expenses are aggregated to form the segment called "Other".

The segment's income on T/C basis and operating expenses relate to the pool distribution from the Group's operation of the RoRo vessels Höegh Trader and Höegh Treasure. The management income contains technical, commercial and administrative fees paid by external owners of the Group's jointly controlled companies owning the vessels Norman Lady, Arctic Princess, Arctic Lady, GDF Suez Neptune and GDF Suez Cape Ann (please also refer to Note 4) and fees received for operating and managing vessels not owned by the Group, i.e., STX Frontier and Matthew. Finally, the segment's administrative expenses contain the Group's administrative expenses excluding project development costs, which are shown in a separate segment.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on "Operating profit before depreciation" and is measured consistently with the consolidated financial statements. No segment assets or segment liabilities other than the capitalised project development costs are part of the information.

The following tables present revenue and profit information regarding the Group's operating segments for the 12 months ended 31 December 2011 and 31 December 2010, respectively.

| Twelve months ended 31 December 2011 | USD'000 | LNG Transportation | Floating Regasification | Project Development | Other | Consolidated |
|---|---|---|---|---|---|---|
| Income on T/C basis | | 57 821 | 40 782 | - | 6 400 | 105 003 |
| Management and other income | | 730 | - | 397 | 3 651 | 4 778 |
| **Total income** | | **58 551** | **40 782** | **397** | **10 051** | **109 781** |
| Charterhire expenses | | (20 130) | - | - | - | (20 130) |
| Operating expenses | | (19 113) | (7 393) | - | (5 927) | (32 433) |
| Administrative expenses | | - | - | - | (16 982) | (16 982) |
| Project development expenses | | - | - | (14 161) | - | (14 161) |
| **Operating profit before depreciation** | | **19 308** | **33 388** | **(13 764)** | **(12 858)** | **26 075** |
| **Capitalized project development costs** | | **-** | **-** | **81 955** | **-** | **81 955** |

| Twelve months ended 31 December 2010 | USD'000 | LNG Transportation | Floating Regasification | Project Development | Other | Consolidated |
|---|---|---|---|---|---|---|
| Income on T/C basis | | 54 126 | 31 528 | - | 5 790 | 91 443 |
| Management and other income | | 470 | - | - | 3 016 | 3 486 |
| **Total income** | | **54 595** | **31 528** | **-** | **8 806** | **94 929** |
| Charterhire expenses | | (19 244) | - | - | - | (19 244) |
| Operating expenses | | (16 213) | (5 544) | - | (5 320) | (27 077) |
| Administrative expenses | | - | - | - | (13 549) | (13 549) |
| Project development expenses | | - | - | (11 076) | - | (11 076) |
| **Operating profit before depreciation** | | **19 138** | **25 984** | **(11 076)** | **(10 064)** | **23 983** |
| **Capitalized project development costs** | | **-** | **-** | **80 058** | **-** | **80 058** |

A reconciliation of “operating profit before depreciation” to “ordinary profit before tax” is provided in the following table:

| Reconciliation from the Group's segment information to ordinary profit/(loss) before tax (USD'000): | | |
|---|---|---|
| Twelve months ended | 31-Dec-11 | 31-Dec-10 |
| **Operating profit before depreciation** | **26 075** | **23 983** |
| Depreciation | (18 150) | (13 811) |
| Impairment | (1 363) | - |
| **Operating profit** | **6 562** | **10 172** |
| **Gain / (loss) on sale of asset** | **(80)** | **(3)** |
| Interest income | 669 | 223 |
| Interest expense | (25 200) | (22 435) |
| Income from other financial items | 777 | 908 |
| Expenses from other financial items | (611) | (47) |
| **Ordinary profit before tax for the period** | **(17 884)** | **(11 183)** |

The Company is domiciled in Bermuda. The Group’s revenue from external customers in Bermuda is zero. The breakdown of the major components of the total revenue from external customers from other countries is disclosed below. In the 12 month periods ended 31 December 2011 and 2010 respectively, each of the three customers shown in the table below represented income that amounted to 10 % or more of total income:

| Income on T/C basis (USD'000) | | |
|---|---|---|
| Twelve months ended | 31-Dec-11 | 31-Dec-10 |
| Statoil ASA | 27 392 | 24 558 |
| Total E&P Norge AS | 24 043 | 24 339 |
| GDF Suez Global LNG Supply SA | 40 782 | 31 528 |
| Other customers | 12 786 | 11 021 |
| **Total** | **105 003** | **91 445** |

Income from Statoil ASA, Total E&P Norge AS and other customers is shown in both the “LNG transportation” and the "Other" segment. Income from GDF Suez Global LNG Supply SA is shown in the “Regasification segment”.

The Group does not use any geographical breakdown whether for internal or external financial reporting purposes.

## 4. RELATED PARTY TRANSACTIONS

### Transactions with joint venture companies

Höegh LNG receives management income from external ship owners for services performed by entities within the Group. These revenues are recognised in the relevant period for providing the service. Höegh LNG also provides various management services to the Group’s joint venture companies and receives management income related to technical, commercial and administrative services. The wholly owned subsidiary Höegh LNG AS provides commercial and administrative management services whereas its wholly owned subsidiary, Höegh LNG Fleet Management AS, provides technical, purchasing and crewing management services. The following table shows the total amount recognised as revenue in Höegh LNG as revenue for management services provided by the Group to the joint venture companies. Höegh LNG recognises its interest in joint ventures by proportional consolidation and amounts listed below are thus the external owners’ shares of management and other services.

| Joint Venture in which the Group is a venturer (USD'000) | | |
|---|---|---|
| Twelve months ended | 31-Dec-11 | 31-Dec-10 |
| Joint Gas Ltd | 41 | 40 |
| Joint Gas Two Ltd | 31 | 30 |
| SRV Joint Gas Ltd | 848 | 757 |
| SRV Joint Gas Two Ltd | 713 | 584 |
| Methane Carriers Ltd | 489 | 392 |
| PNG Floating LNG Limited | 83 | - |
| **Total** | **2 204** | **1 803** |

## Transactions with other related parties

Höegh LNG has entered into an agreement with Höegh Autoliners Management AS relating to the purchase of administrative services and leasing of office space. Both Höegh Autoliners and Höegh LNG were majority owned by the Høegh family as at year-end 2011. A separate service agreement is further entered into between Höegh LNG and Höegh Fleet Services AS (HFS), a wholly owned subsidiary of Höegh Autoliners Management AS, regarding administrative services.

The Group's wholly owned subsidiary Leif Höegh (U.K.) Limited operates two car carriers based on a risk/benefit agreement with Höegh Autoliners Shipping AS, whereby Höegh LNG's financial results from the activity are stable. The related financials are shown under "Other" in Note 3. The following table sets out the total amount of transactions that have been entered into with other related parties for the twelve months ending 31 December 2011 and 2010, respectively.

| Administrative services from related parties (USD'000)<br>Twelve months ended | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| Höegh Autoliners Management AS | 3 157 | 4 198 |
| Höegh Fleet Services AS | - | 303 |
| **Total** | **3 157** | **4 501** |

The following table sets out the outstanding amounts owed by or to related parties for the periods ending 31 December 2011 and 31 December 2010, respectively:

| Related party transactions for (USD'000) | Financial position as at: | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|
| Höegh Autoliners Shipping AS | 31-12-11 | 814 | - |
| (Trader and Treasure freight) | 31-12-10 | 1 473 | - |

Settlement, including interest for the promissory note against the related party, Aequitas Investments Limited, was received by Höegh LNG in two payments during April and May 2011.

| Loans to related party (USD'000) | Period commenced | Period ended | Interest for the period | Amount owed by related party at end of period |
|---|---|---|---|---|
| Aequitas Investments Limited | 01-01-11 | 30-09-11 | 530 | - |
| | 01-01-10 | 31-12-10 | 121 | 51 068 |

Höegh LNG has entered into an agreement with the related party Höegh Capital Partners AS for the management of excess liquidity in the form of marketable securities. The portfolio's market value was USD 90.1 million as at 31 December 2011. These financial instruments, within the scope of IAS39, are classified at fair value with recognition of changes in value through profit or loss. The changes in fair value during the fourth quarter 2011 was recognised as financial income and amounted to USD 0.1 million.

Höegh Capital Partners Limited, a company owned by the Høegh family, provided advisory services for an annual remuneration of USD 0.1 million (0.1).

Höegh LNG is one of five investors in Höegh Pensjonskasse, a joint pension fund. Höegh LNG contributed USD 0.8 million in 2011 (0.5) and its portion of the fair value of the scheme's assets was USD 6.1 million at 31 December 2011 (6.3).

31 December 2011, members of the Group management held 45.63 % of the shares in Methane Ventures Limited, a company owning 1 211 738 shares in Höegh LNG. The remaining shares in Methane Ventures Limited were held by Höegh LNG after buying 20 000 shares in Methane Ventures Limited. Leif Höegh & Co Ltd. purchased 4 983 900 of the shares in Höegh LNG issued on 30 June 2011. Leif Höegh & Co Ltd. holds 30 907 210 shares in Höegh LNG, corresponding to 65.7 % of the shares at year end. In February 2012 the total number of shares in Höegh LNG increased in a private placement and Leif Höegh & Co Ltd.'s ownership was reduced to 44.4 %.

## 5. EQUITY

On 3 May 2011 Höegh LNG cancelled 55 270 shares held in treasury. The Company issued 1 211 738 shares on 17 June 2011 as consideration in a shares swap, in which the Company acquired from Methane Ventures Limited the remaining 7.5 % of the shares in Höegh LNG Limited.

Höegh LNG issued 17 087 684 shares on 30 June 2011 at a consideration of NOK 38 (USD 7.02) per share and became listed at the Oslo Stock Exchange on 5 July 2011. An over-allotment facility was utilised and on 9 August 2011 the Company issued 1 707 359 additional new shares at NOK 38 (USD 6.92) per share. Total gross issue proceeds were USD 131.8 million. Total transaction costs relating the Company's initial public offering process amounted to USD 6.5 million of which USD 1.1 million was expensed as administration costs and USD 5.4 million recognised as a reduction in the Company's share premium account.

There was no change in the Company's share capital during the fourth quarter of 2011.

For information about management stock options, a private placement and a planned subsequent share offering, all in 2012, please refer to Note 10.

## 6. COMMITMENTS

At the end of 2011, the Group had shipbuilding contracts with Hyundai Heavy Industries Co. Limited for the delivery of two FSRUs. Following the February 2012 exercise of an option for delivery of one additional FSRU, the Company now has shipbuilding contracts with Hyundai for the delivery of three FSRUs. Each vessel will have a storage capacity of 170 000 cubic meter LNG. By the end of 2011, 10 % of the contract price had been paid for two of the FSRUs. Yard payments are back-ended with 60 % payable upon delivery, scheduled for the fourth quarter 2013, the first quarter 2014 and the second quarter 2014, respectively.

Höegh LNG has an agreement with PT Perusahaan Gas Negara to provide PGN with an FSRU and a mooring system to be located offshore Belawan, near the city of Medan, in North Sumatra, Indonesia. PGN is the largest natural gas transportation and distribution company in Indonesia, majority owned by the state and stock listed. The project will employ the first of Höegh LNG's FSRUs under construction at Hyundai. The estimated delivered cost for this project, including the vessel, the mooring and supervision, project and financing costs, is USD 320-330 million.

Höegh LNG is the preferred bidder in providing AB Klaipedos Nafta with an FSRU to be located in the Port of Klaipeda in Lithuania. AB Klaipedos Nafta is a stock listed oil and gas company owned 70.63 % by the government of Lithuania. The project will employ the second FSRU under construction at Hyundai. The estimated delivered cost for this project, including the vessel and supervision, project and financing costs, is USD 320-330 million.

Employment is not yet secured for the third FSRU on order. Depending on final specification of the vessel and the project for which it will be employed, it is expected that the delivered costs for third FSRU will be in the range USD 280-330 million.

Höegh LNG has an agreement to purchase "LNG Libra", a 126 400 cubic meter Moss design LNG carrier built in 1979. The vessel will be purchased from Höegh LNG's long standing partner, Mitsui OSK Lines (MOL), with delivery in June or July 2012. The purchase price is USD 53 million of which 10 % has been paid as of year-end 2011, 10 % was paid in January 2012, and the remaining amount is payable upon delivery of the vessel.

## 7. HEDGING RESERVES

Hedging reserves relate to the interest rate swaps in place for the two Arctic vessels and the two Neptune vessels. At 30 September 2011, the accumulated negative mark-to-market valuation of these interest rate swaps was recognised in the financial position at USD 131.4 million. Even though the floating short-term interest rates increased through the fourth quarter, the markets' expectations that the low interest rates will continue for a longer period than previously anticipated lead to a mark-to-market loss in other comprehensive income of USD 0.3 million for the quarter and USD 48.7 million for the full year. The accumulated mark-to-market valuation of the interest rate swaps was negative by USD 131.7 million as at 31 December 2011. The maturity profile of this liability is non-current (greater than one year) by USD 113.6 million and current (within one year) by USD 18.1 million, respectively.

## 8. FINANCING

Höegh LNG has a USD 288 million debt facilities agreement in place providing 50 % funding for up to two FSRUs on order at Hyundai Heavy Industries Co. Limited (“Hyundai”) for up to three years after delivery. The facilities agreement may be used for the three FSRUs currently on order and/or the optional vessels, but not for more than for two vessels at a time. The facilities are intended as a back-up financing should employment of the vessels not be secured before delivery. Lenders under the facility are Citibank, Credit Agricole, DNB Bank, Fokus Bank and Nordea. There are certain covenants related to the financing. With the share issue completed in February 2012, the equity requirement for drawing on the facilities is fulfilled.

Long-term project financing will be raised for the FSRU projects including the respective vessels on order at Hyundai after project award. Bank of Tokyo-Mitsubishi UFJ and Standard Chartered Bank have been mandated to assist the Company with the Medan FSRU project financing where the first FSRU new building will be employed. DNB Bank has been mandated to assist the Company with the Klaipeda FSRU project financing, where the second new building will be employed. It is expected that 70-80 % of delivered cost of the respective projects will be funded by long-term project debt financing. The remaining amount will be funded by cash in hand.

The acquisition of LNG Libra will be financed with a combination of new debt and cash at hand. It is expected that approximately 50 % of the purchase price will be financed with new debt.

## 9. IMPAIRMENT

The entire goodwill derived from the acquisition of Compressed Energy Technology AS in June 2009 amounting to USD 1.4 million was impaired in the fourth quarter.

## 10. SUBSEQUENT EVENTS

The Company signed on 10 January 2012 a six month time charter agreement for the LNG carrier “LNG Libra” providing shipping services to the North West Shelf project in Australia. The time charter starts upon delivery of the vessel from its previous owner in June or July 2012. The EBITDA contribution from the charter is about USD 12 million.

The Company signed on 25 January 2012 a firm and final agreement with PT Perusahaan Gas Negara ("PGN") to provide PGN with an FSRU and mooring system offshore Belawan, near the city of Medan, in North Sumatra, Indonesia. PGN is the largest natural gas transportation and distribution company in Indonesia, majority owned by the state and stock listed. The project will employ the first of Höegh LNG's FSRUs under construction at Hyundai. The agreement is a firm 20 year charter party with two five year options to extend for a total period of 30 years.

In January 2012, Höegh LNG was selected the preferred bidder for 10 year charter agreement with AB Klaipedos Nafta for an FSRU to be located in the Port of Klaipeda in Lithuania. AB Klaipedos Nafta is a stock listed oil and gas company owned 70.63 % by the government of Lithuania. The project will employ the second FSRU under construction at Hyundai.

The Company raised approximately USD 200 million in net share issue proceeds in a private placement on 2 February 2012. A total of 22 641 509 new shares were issued on 8 February 2012 increasing the total number of shares outstanding from 47 009 170 at year-end 2011 to 69 650 679.

A subsequent share offering will be directed towards existing shareholders with 40 000 shares or less as of 2 February, who did not participate in the private placement, whereby such shareholders will have the right to subscribe for and be allocated 0.5 new share for each share held at the said date. The subsequent share offering will constitute up to 636,552 shares, each with a subscription price of NOK 53.

On 2 February 2012, the Company announced a stock option plan for its senior management. The strike price of the 735 000 options is NOK 53 per share. The options will vest with one third on 31 December 2013, 2014 and 2015, respectively, and expire in 2017.

On 3 February 2012, the Company exercised an option for an additional FSRU to be delivered in the second quarter 2014 from Hyundai in Korea. The shipbuilding contract for this vessel was signed on 13 February 2012.