



# HÖEGH LNG

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## INTERIM RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2012

### Highlights

- Operating profit before depreciation USD 13.2 million, up 53% from USD 8.6 million in the third quarter 2011
- Profit before tax USD 1.1 million, up from a loss of USD 2.0 million in the third quarter 2011
- Total income USD 38.0 million, up from USD 27.3 million in the third quarter 2011
- Selected as preferred bidder by Colbún S.A. and AES Gener S.A. for a new FSRU project in Chile
- Issued a USD 130 million five year senior unsecured corporate bond
- Took delivery of LNG Libra, which commenced a six month charter for the North West Shelf project
- Exercised the option to purchase 50 % of the LNG carrier STX Frontier
- Ordered a new floating storage and regasification unit ("FSRU")

### Subsequent events

- Sold the Port Meridian deepwater port project in the UK for USD 20 million. Höegh LNG will own and operate the FSRU for the planned LNG import terminal
- Signed a revised agreement with Perusahaan Gas Negara ("PGN") for the Medan FSRU to be re-located to Lampung, Indonesia
- Signed the loan agreement for the USD 250 million senior secured credit facility for the FSRU under contract to Klaipėdos Nafta in Lithuania

### Financial review

Höegh LNG Holdings Ltd. ("Höegh LNG" or the "Company") reports USD 38.0 million in total consolidated income for the third quarter 2012, up from USD 27.3 million in the same quarter last year. The increase is mainly due to the time charter for LNG Libra commencing in July and paid engineering studies relating to floating liquefaction projects, contributing USD 6.4 million and USD 4.9 million to revenues in the quarter, respectively (nil last year).

Operating profit before depreciation was USD 13.2 million in the quarter, up from USD 8.6 million in the third quarter 2011. The improvement is mainly due to the commencement of the time charter of LNG Libra, and capitalisation of USD 0.9 million in employee costs relating to the FSRU new building programme previously recorded as business development expenses<sup>1</sup> (nil last year). These improvements are offset by employee bonus and stock option provisions totalling USD 0.5 million in the period (nil last year). Net profit before tax was USD 1.1 million in the period, compared to a loss of USD 2.0 million in the same quarter in 2011.

Total cash flow was negative by USD 9.3 million in the period compared to an inflow of USD 2.8 million in the same period last year. At the end of the reporting period, Höegh LNG and its subsidiaries (the "Group") held USD 69.6 million in cash and USD 63.3 million in marketable securities. The recorded equity was USD 327.9 million, while the equity adjusted for the mark-to-market value of interest rate swaps was USD 465.2 million at the end of the quarter.

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<sup>1</sup> In accordance with IAS 16 § 17 (a,f)

## Corporate matters

### *Bond Issue*

On 24 September 2012, Höegh LNG issued a senior unsecured callable bond of NOK 750 million in the Norwegian bond market with maturity date 3 October 2017. The bond was swapped from NOK to USD and from floating to fixed interest rate, resulting in a total fixed USD interest rate of 7.3% p.a. The bond issue proceeds were paid in and recorded in the statement of financial position on 3 October 2012 and will be used for general corporate purposes and as equity in future projects. The bond was listed at Oslo Børs 22 November 2012.

### *Klaipėdos Nafta FSRU financing*

In November 2012, Höegh LNG signed the final documentation with four banks for a USD 250 million corporate senior secured facility for the financing of the floating storage and regasification unit to be delivered for Klaipėdos Nafta's LNG import terminal project in Lithuania. The Facility is 75% guaranteed by the Korean credit agency K-sure and the Norwegian credit agency GIEK. It has a tenor of seven years and an overall profile of 16 years. The interest rate has been swapped from floating to fixed for the length of the underlying commercial agreement resulting in a total fixed interest rate of 5.1%.

### *Capital expenditures*

Unpaid pro-forma capital expenditure commitments stood at approximately USD 1.2 billion as of 30 September 2012. This comprises the four FSRUs on order, the Lampung mooring and 50% of STX Frontier, and includes yard payments, project expenses and finance costs. Pro-forma cash, marketable securities and undrawn debt facilities was approximately USD 0.8 billion as of 30 September 2012. This includes proceeds from the corporate bond issue and the sale of Port Meridian Energy Limited as well as undrawn amounts under the USD 288 million FSRU bridge and Klaipėdos Nafta FSRU financing facilities. Assuming each newbuilt FSRU achieves 75% and STX Frontier obtains 65% debt financing once employment is secured, the incremental financing to be raised for existing commitments is approximately USD 0.5 billion. Adjusting for the approximately USD 100 million to be received from the sale of the mooring to PGN during the first half of 2014, the Company will have USD 200-250 million in available cash and cash equivalents after payment of all capital commitments. The Company therefore sees no need to raise additional equity to fund the remaining capital commitments relating to its current investment programme.

The financing of the Lampung FSRU and mooring is progressing according to plan, and is expected to be completed by mid 2013. The financing of the Colbun FSRU will start when the final commercial agreement has been signed, and is expected to be in place during the latter half of 2013. Being a provider of infrastructure services under long term contracts, and with a client base comprising domestic utility companies or international oil and gas majors, financing is available to the Company, as proven by the completion of the Klaipėdos Nafta FSRU financing.

### *Corporate structure*

The Group has transferred all assets and liabilities' relating to its FLNG business area to a wholly owned subsidiary, Höegh FLNG Ltd., incorporated in Bermuda, and is currently seeking equity partner(s) or investor(s) for this company.

In a subsequent event, Höegh LNG sold its wholly owned subsidiary Port Meridian Energy Limited to an entity owned and managed by West Face Capital ("WFC") for a cash consideration of USD 20 million. The transaction will result in gain of about USD 10 million which will be recorded in the third quarter. Port Meridian Energy Limited has developed plans and received permits for a deep water port for LNG imports and regasification near the coast of Barrow-in-Furness in England. When WFC makes their final investment decision, Höegh LNG will construct, own and operate the FSRU intended for the planned LNG import terminal, which has a targeted start-up in 2016.

## **Business review**

### *Regasification*

During the quarter, Höegh LNG was selected as preferred bidder for the supply of a FSRU for a new LNG import terminal under development by Colbún S.A. and AES Gener S.A., which are among the largest power producers in Chile. The FSRU will be located in Quintero Bay, close to Santiago in Chile, connected to the existing gas grid, and supplying natural gas to existing power plants. The lease agreement is for 10 years with an extension option for another five years, and is subject to final documentation and approvals in Chile. The FSRU is expected to generate an average annual EBITDA of approximately USD 41 million.

The physical construction of the FSRU for Lithuania has commenced with first steel cutting in September 2012. Klaipėdos Nafta is currently in the process of concluding LNG supply agreements and selecting construction companies to build the jetty and the pipeline to connect the FSRU to the country's existing natural gas grid.

In October 2012, PGN and Höegh LNG signed the amended commercial agreement for the FSRU project to be located in the Lampung province on the south east coast of Sumatra. Höegh LNG will provide the same FSRU as intended for the initial location with modifications as required by the client. The agreement remains for a 20 year term with two five year extension options. The annual EBITDA contribution from the lease is approximately USD 40 million for the firm 20 year period. As under the initial agreement, the mooring system will be paid for and built by Höegh LNG, but under the amended agreement, PGN will purchase the mooring system upon completion. The delivery date of the FSRU from the yard has been re-scheduled for the end of April 2014, while the planned start-up of the project has moved from February to June 2014. Höegh LNG will receive full compensation for the delayed start-up reflected in the said EBITDA contribution.

At the end of the reported quarter, Höegh LNG exercised an option at Hyundai Heavy Industries Co. Ltd. for a fourth new FSRU. The vessel will be able to operate as a floating LNG import terminal as well as to trade as an ordinary LNG carrier. When exercising the option, Höegh LNG was granted a further option for a fifth FSRU.

In addition to the right to provide a FSRU to the Port Meridian project, Höegh LNG is currently involved in a tender process for a further FSRU project and is pre-qualified for two additional projects with invitations to bid expected to be issued towards the end of 2012 or early in 2013.

### *Fleet and operation*

The existing fleet of LNG carriers and FSRUs has been operated safely and without incidents in the quarter.

On 16 July 2012, the LNG carrier LNG Libra was delivered to Höegh LNG and commenced shortly thereafter a six month charter agreement, which will expire in January 2013. The vessel was originally acquired as a conversion candidate for FSRU projects but is no longer committed for this purpose. Höegh LNG will either enter into a new charter agreement or sell the vessel.

In September 2012, the time charter for the LNG carrier Norman Lady with Gas Natural Aprovevisionamientos was extended for one year at improved commercial terms. The agreement may be extended for two more years at the charterer's option.

At the end of September 2012, Höegh LNG exercised an option to purchase 50 % of the 2010 built LNG carrier STX Frontier with delivery between 1 April and 1 October 2013. The vessel is currently being marketed in the 3-10 year time charter market.

### *Floating production*

A *pre* front-end engineering design (pre-FEED) study for a floating liquefaction development for the Tamar gas field offshore Israel was completed in August 2012. The first phase of the Tamar project comprises a subsea system and pipeline to shore to supply the domestic Israeli market with gas with a scheduled start-up during the first half of 2013. A floating liquefaction solution is intended to facilitate export of LNG from the field. The technical solution for using an FLNG has been accepted as a possible phase two development of the Tamar field. Höegh FLNG is currently in discussions to initiate a full project specific FEED for this purpose.

In August 2012, Höegh FLNG completed a field specific engineering and cost study relating to a potential floating liquefaction plant for a large oil and gas company based in Asia. Höegh FLNG has proposed a way forward in completing a FEED and to build and lease out an FLNG unit to the same client, and is currently in discussion with the client regarding this proposal.

The Company's joint venture in Papua New Guinea is continuing its work to secure feed gas and obtain project approval for its FLNG project in addition to the existing government approval. The FLNG is intended to serve onshore and potentially offshore gas fields located in Papua New Guinea.

Should a final investment decision be made for a floating liquefaction development of the above mentioned projects, the intention is that Höegh FLNG together with selected partners shall build, own and operate the relevant FLNG unit.

## **Market**

Natural gas is projected to be the fastest growing major energy source globally in the medium to long-term. About 11 % of the natural gas traded is currently transported in the form of LNG. This portion is expected to grow to 19 % by 2030. In 2011, LNG shipments grew by 10.1 % worldwide. The LNG market has been, and still is, constrained by the available liquefaction capacity. In 2011, 242 million tonnes of LNG was produced. This number is expected to reach 330 million tonnes in 2017, with significant capacity coming on stream in Australia and other countries.

There are currently 78 new LNG carriers on order. This represents a 21 % increase on today's fleet of 364 vessels. Some of the new transportation capacity may be available before the projected production capacity increases, and may lead to market volatility, but the long-term LNG transportation market is expected to remain strong.

The FSRU market remains active with the main bulk of project development happening in South America, South-East Asia and the Middle East. Demand for specific conversion projects has reduced as project requirements, including early start-up, can be met by FSRU newbuildings on order, with larger storage and regasification capacity, higher energy efficiency and improved reliability. The strong demand for new FSRU projects combined with a limited number of open FSRUs held by experienced operators (only three of the seven FSRU new buildings currently under construction are available for new projects) indicate good possibilities for the Company to secure long-term employment for its fourth new FSRU.

Recently the FLNG market has seen some important milestones. In October 2012, steel cutting commenced for Shell's Prelude FLNG. Work is also progressing on Petronas' Kanowit FLNG, and in September 2012, Petronas awarded the FEED contract for its second FLNG to be used offshore Sabah, Borneo. Several other projects are in the conceptual design phase, including GDF Suez's FLNG project for the Bonaparte field, which has now received environmental approval from Australian authorities.

## *Outlook*

The long-term outlook for floating LNG services remains good and Höegh LNG sees continued strong demand and attractive returns in the FSRU market, where it has its main focus. The Company's success in entering into two FSRU contracts during 2012 and selected as preferred bidder by Colbún S.A. and AES Gener S.A., confirms Höegh LNG's strong competitive position as an FSRU provider. The project sponsors normally prefer companies with proven track records, hence the Company is optimistic with respect to winning further FSRU contracts on attractive returns.

The long-term LNG shipping market also remains positive, but there could be market volatility when the new LNG carriers are delivered in 2014 and 2015, unless more LNG production is brought on line by better utilization and de-bottlenecking.

Höegh LNG is well positioned to win potential engineering study contracts for FLNG projects and to compete for FLNG lease agreements.

## **Forward looking statements**

This interim report contains forward looking statements. The 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 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, regasification and floating production 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 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

USD'000	Notes	Unaudited 3Q2012	Unaudited 3Q2011	Unaudited Jan Sep 2012	Unaudited Jan Sep 2011	Audited 2011
Freight revenues		32 403	26 460	84 168	77 335	105 133
Voyage expenses		(241)	(18)	(853)	(111)	(130)
<b>Income on T/C basis</b>		<b>32 162</b>	<b>26 442</b>	<b>83 315</b>	<b>77 223</b>	<b>105 003</b>
Management and other income		5 838	932	14 722	2 605	4 777
<b>Total income</b>		<b>38 000</b>	<b>27 374</b>	<b>98 037</b>	<b>79 828</b>	<b>109 780</b>
Charterhire expenses		(5 207)	(5 074)	(15 506)	(15 056)	(20 130)
Operating expenses		(7 764)	(7 206)	(22 959)	(21 800)	(32 433)
Administrative expenses		(3 534)	(3 034)	(10 089)	(10 453)	(16 982)
Project development expenses		(8 248)	(3 473)	(20 694)	(9 913)	(14 160)
<b>Operating profit before depreciation</b>		<b>13 248</b>	<b>8 587</b>	<b>28 789</b>	<b>22 606</b>	<b>26 075</b>
Gain/(loss) on sale of assets		10	(64)	34	(80)	(80)
Depreciation		(6 244)	(4 605)	(14 325)	(13 665)	(18 150)
Impairment		-	-	-	-	(1 363)
<b>Operating profit</b>		<b>7 013</b>	<b>3 918</b>	<b>14 498</b>	<b>8 862</b>	<b>6 482</b>
Interest income		5	70	61	621	669
Interest expenses		(6 086)	(6 466)	(18 271)	(18 875)	(25 200)
Income from other financial items		178	436	1 664	478	777
Expenses from other financial items		(47)	-	(161)	(447)	(611)
<b>Net financial items</b>		<b>(5 950)</b>	<b>(5 959)</b>	<b>(16 706)</b>	<b>(18 223)</b>	<b>(24 366)</b>
<b>Ordinary profit or loss before tax</b>		<b>1 063</b>	<b>(2 041)</b>	<b>(2 209)</b>	<b>(9 362)</b>	<b>(17 884)</b>
Tax		(192)	(5)	(194)	306	201
<b>Profit (loss) for the period</b>	3	<b>872</b>	<b>(2 046)</b>	<b>(2 402)</b>	<b>(9 055)</b>	<b>(17 683)</b>
<b>Other comprehensive income</b>						
Net gain (loss) on hedging reserves	7	198	(44 642)	(5 654)	(48 441)	(48 711)
<b>Total comprehensive income/(loss)</b>		<b>1 070</b>	<b>(46 688)</b>	<b>(8 056)</b>	<b>(57 496)</b>	<b>(66 393)</b>
<b>Profit /(loss) of the year attributable to (from):</b>						
Equity holders of the parent		872	(2 046)	(2 402)	(8 969)	(17 597)
Non-controlling interests		-	-	-	(86)	(86)
		<b>872</b>	<b>(2 046)</b>	<b>(2 402)</b>	<b>(9 055)</b>	<b>(17 683)</b>
<b>Total comprehensive income attributable to (from):</b>						
Equity holders of the parent		1 070	(46 688)	(8 056)	(57 362)	(66 259)
Non-controlling interests		-	-	-	(134)	(134)
		<b>1 070</b>	<b>(46 688)</b>	<b>(8 056)</b>	<b>(57 496)</b>	<b>(66 393)</b>
Earnings per share attributable to ordinary equity holders of Höegh LNG Holdings Ltd (USD):						
> basic and diluted, profit/(loss) for the period		0,01	(0,04)	(0,04)	(0,27)	(0,48)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Notes	Unaudited 2012 30 September	Unaudited 2012 30 June	Unaudited 2011 30 September	Audited 2011 31 December
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Intangible assets</b>					
Deferred tax assets		772	741	523	740
Licenses, design and other intangibles	3	73 062	82 329	82 940	81 955
<b>Tangible assets</b>					
Vessels		489 887	442 484	453 808	449 754
Newbuildings under construction and contract cost	6	194 630	135 840	51 061	52 133
Deposit for vessel acquisition		-	10 600	5 300	5 300
Other non-current assets		3 654	10 554	4 243	10 527
Restricted cash		23 112	23 112	12 552	12 552
<b>Total non-current assets</b>		<b>785 117</b>	<b>705 661</b>	<b>610 427</b>	<b>612 961</b>
<b>Current assets</b>					
Inventories		146	132	216	131
Trade and other receivables		4 834	8 324	2 897	4 850
Marketable securities	4	63 286	143 710	90 104	90 098
Cash and cash equivalents		69 605	78 909	44 363	36 614
		<b>137 872</b>	<b>231 074</b>	<b>137 580</b>	<b>131 694</b>
Assets classified as held for sale	8	9 262	-	-	-
<b>Total current assets</b>		<b>147 134</b>	<b>231 074</b>	<b>137 580</b>	<b>131 694</b>
<b>TOTAL ASSETS</b>		<b>932 252</b>	<b>936 735</b>	<b>748 007</b>	<b>744 655</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital		699	699	470	470
Share premium reserve		344 198	344 110	142 498	142 487
Treasury shares		(12)	(12)	(12)	(12)
Hedging reserves		(137 303)	(137 500)	(131 379)	(131 649)
Other paid in capital		(8 125)	(8 431)	(8 849)	(8 849)
Retained earnings		128 437	127 565	139 468	130 840
<b>Equity attributable to equity holders of the parent</b>		<b>327 895</b>	<b>326 431</b>	<b>142 196</b>	<b>133 287</b>
<b>Total equity</b>		<b>327 895</b>	<b>326 431</b>	<b>142 196</b>	<b>133 287</b>
<b>Non-current liabilities</b>					
Pension liabilities		9 339	8 395	8 748	7 986
Long-term interest bearing debt		409 370	419 709	429 493	426 269
Other non-current financial liabilities	7	118 355	118 658	112 785	113 606
Other long-term debt		9 769	9 426	9 488	9 666
<b>Total non-current liabilities</b>		<b>546 834</b>	<b>556 187</b>	<b>560 514</b>	<b>557 527</b>
<b>Current liabilities</b>					
Short-term interest bearing debt		20 398	13 231	12 630	12 872
Trade and other payables		6 385	8 776	4 277	6 646
Income tax payable		665	453	158	498
Other current financial liabilities	7	23 744	23 798	23 618	24 484
Provisions and accruals		6 333	7 859	4 613	9 340
		<b>57 524</b>	<b>54 117</b>	<b>45 297</b>	<b>53 841</b>
Liabilities directly associated with the assets held for sale	8	-	-	-	-
<b>Total current liabilities</b>		<b>57 524</b>	<b>54 117</b>	<b>45 297</b>	<b>53 841</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>932 252</b>	<b>936 735</b>	<b>748 007</b>	<b>744 655</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000	Notes	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		3Q2012	3Q2011	Jan Sep 2012	Jan Sep 2011	2011
<b>Operating activities:</b>						
Profit /(loss) before tax for the period		1 063	(2 041)	(2 209)	(9 362)	(17 884)
<i>Non-cash adjustment to reconcile profit before tax to net operational cash flow</i>						
Loss/(gain) on sale of assets		(10)	64	(34)	80	80
Depreciation vessels, drydocking and equipment		6 244	4 605	14 325	13 665	18 150
Impairment (reversal impairment)		-	-	-	-	1 363
Fair value adjustments on marketable securities		(578)	(103)	(1 588)	(103)	98
Interest income		(5)	(70)	(61)	(621)	(669)
Interest cost		6 086	6 466	18 271	18 875	25 200
Stock option cost and Directors' remuneration		367	-	785	-	-
<i>Working capital adjustments</i>						
Change in inventories, receivables and payables		4 039	(1 531)	(7 706)	(6 661)	(1 303)
Interest received		16	18	54	25	69
Payment of income tax		-	(419)	-	(419)	(597)
<b>i) Net cash flow from operating activities</b>		<b>17 223</b>	<b>6 989</b>	<b>21 837</b>	<b>15 479</b>	<b>24 507</b>
<b>Investing activities:</b>						
Proceeds from sale of marketable securities	4	81 000	-	183 400	-	-
Investments in marketable securities	4	-	(90 000)	(155 000)	(90 000)	(90 000)
Proceeds from settlement of interest bearing receivables		-	-	-	51 295	51 295
Interest received on interest bearing receivables		-	-	-	651	651
Investments in vessels, newbuildings and contracts		(97 626)	(25 414)	(183 890)	(51 061)	(53 867)
Vessel acquisition deposit		-	(5 300)	(5 300)	(5 300)	(5 300)
Investments in intangibles		(81)	61	(423)	(2 921)	(3 412)
Proceeds from sale of equipment		29	114	132	181	83
Investment in equipment		(78)	(804)	(1 517)	(1 451)	(1 616)
<b>ii) Net cash flow used in investing activities</b>		<b>(16 756)</b>	<b>(121 343)</b>	<b>(162 598)</b>	<b>(98 606)</b>	<b>(102 166)</b>
<b>Financing activities:</b>						
Repayment of borrowings		(3 241)	(3 054)	(9 581)	(9 081)	(12 131)
Interest paid		(6 183)	(6 279)	(18 199)	(18 839)	(25 201)
Issue of share capital	5	-	131 813	208 667	131 813	131 813
Transaction costs of issuing of shares	5	-	(5 374)	(6 788)	(5 374)	(5 385)
Change in non-controlling interest		-	-	-	192	192
Payment of finance cost		(347)	-	(347)	-	(3 794)
<b>iii) Net cash flow from/(used in) financing activities</b>		<b>(9 771)</b>	<b>117 106</b>	<b>173 752</b>	<b>98 711</b>	<b>85 494</b>
<b>Net increase/(decrease) in cash and cash equivalents (i+ii+iii)</b>		<b>(9 304)</b>	<b>2 752</b>	<b>32 991</b>	<b>15 584</b>	<b>7 835</b>
Current cash, cash equivalents at the beginning of the period		78 909	41 610	36 614	28 779	28 779
<b>Current cash and cash equivalents at the end of the period</b>		<b>69 605</b>	<b>44 363</b>	<b>69 605</b>	<b>44 363</b>	<b>36 614</b>



**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

USD'000	Notes	Attributable to the owners of the parent						Total	Non-controlling interest	Total equity
		Issued capital	Share premium	Treasury shares	Hedging reserves	Other paid in capital	Retained earnings			
<b>At 31 December 2011 (audited)</b>		<b>470</b>	<b>142 487</b>	<b>(12)</b>	<b>(131 649)</b>	<b>(8 849)</b>	<b>130 840</b>	<b>133 287</b>	-	<b>133 287</b>
Profit (loss) for the period		-	-	-	-	-	(2 402)	(2 402)	-	(2 402)
Other comprehensive income / (loss)	7	-	-	-	(5 654)	-	-	(5 654)	-	(5 654)
<i>Total comprehensive income / (loss)</i>		-	-	-	(5 654)	-	(2 402)	(8 056)	-	(8 056)
Issue of share capital 3 February 2012	5	226	206 367	-	-	-	-	206 594	-	206 594
Issue of share capital 22 March 2012	5	2	2 071	-	-	-	-	2 074	-	2 074
Stock option cost		-	-	-	-	725	-	725	-	725
Transaction costs	5	-	(6 788)	-	-	-	-	(6 788)	-	(6 788)
Issue of share capital 30 August 2012	5	0	60	-	-	-	-	60	-	60
<b>At 30 September 2012 (unaudited)</b>		<b>699</b>	<b>344 198</b>	<b>(12)</b>	<b>(137 302)</b>	<b>(8 124)</b>	<b>128 437</b>	<b>327 895</b>	-	<b>327 895</b>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

USD'000	Notes	Attributable to the owners of the parent						Total	Non-controlling interest	Total equity
		Issued capital	Share premium	Treasury shares	Hedging reserves	Other paid in capital	Retained earnings			
<b>At 31 December 2010 (audited)</b>		<b>271</b>	<b>3 561</b>	<b>(1)</b>	<b>(81 120)</b>	-	<b>150 800</b>	<b>73 510</b>	<b>(475)</b>	<b>73 035</b>
Profit (loss) for the period		-	-	-	-	-	(8 969)	(8 969)	(86)	(9 055)
Other comprehensive income / (loss)		-	-	-	(48 393)	-	-	(48 393)	(48)	(48 441)
<i>Total comprehensive income / (loss)</i>		-	-	-	(48 393)	-	(8 969)	(57 362)	(134)	(57 496)
Cancellation of shares held in treasury		(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		12	12 687	-	-	-	-	12 699	-	12 699
Shares' swap 17 June 2011		-	-	(12)	(1 866)	(8 849)	(2 595)	(13 321)	650	(12 672)
Issue of share capital 30 June 2011		171	119 819	-	-	-	-	119 990	-	119 990
Issue of share capital 9 August 2011		17	11 805	-	-	-	-	11 822	-	11 822
Transaction costs		-	(5 374)	-	-	-	-	(5 374)	-	(5 374)
<b>At 30 September 2011 (unaudited)</b>		<b>470</b>	<b>142 498</b>	<b>(12)</b>	<b>(131 379)</b>	<b>(8 849)</b>	<b>139 468</b>	<b>142 196</b>	<b>0</b>	<b>142 196</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Höegh LNG Holdings Ltd. (“Höegh LNG” or the “Company”) is a limited liability company domiciled and incorporated under the laws of Bermuda. The principal activities of the Company and its subsidiaries (the “Group”) are described in Note 3.

### 2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ended 30 September 2012 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 2011.

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, amendments and interpretations effective and adopted as of 1 January 2012. None of these had any material impact on the Group’s financial statements.

### 3. SEGMENT INFORMATION

The Group’s reporting structure has been changed from 1 January 2012 to reflect the Group’s organisation and management responsibilities. The new structure is in accordance with the Group’s internal financial reporting, and is now divided into the following four segments:

The *fleet and operation segment* is responsible for the employment and operation of all the Group’s vessels. The fleet and operation segment shows the income on T/C (time charter) basis, management income, charter hire expenses and operating expenses. The capitalised costs relate to investments in the development of a containment system for compressed natural gas.

The *regasification segment* is responsible for the marketing, sales and construction of floating storage and regasification units (FSRUs) to be used as floating LNG import terminals. The FSRUs will be handed over to the fleet and operation segment upon commencement of operations. The floating regasification segment contains income, expenses and capitalised costs relating to the Group’s development of FSRUs. The capitalised costs relate to investments in licences and permits obtained for the Group’s deep water port in the USA.

The *floating production segment* is responsible for marketing, building and operating FLNGs. The floating production segment contains income, expenses and capitalised costs relating to the Group’s development of a design for floating production of LNG. The capitalised costs relate to investments in front-end engineering design of an FLNG.

The *general segment* consists of Group management, finance and corporate services, and project services. The figures contain administrative expenses, which are managed on a group basis and have not been allocated to other segments.

The following table present revenue and profit information regarding the Group’s operating segments for the nine months ended 30 September for 2012 and 2011, respectively.

## 1 January – 30 September 2012

Statement of income	Total consolidated	Fleet and operation	Regasification	Floating production	General
Freight revenue	84 168	84 168	-	-	-
Voyage expenses	(853)	(853)	-	-	-
<b>Income on T/C basis</b>	<b>83 315</b>	<b>83 315</b>	-	-	-
Management income	3 205	3 206	-	-	-
Other income	11 517	-	-	11 469	49
<b>TOTAL INCOME</b>	<b>98 037</b>	<b>86 521</b>	<b>(0)</b>	<b>11 469</b>	<b>48</b>
Charter hire expenses	(15 506)	(15 506)	-	-	-
Operating expenses	(22 959)	(22 959)	-	-	-
Administrative expenses	(10 089)	(4 821)	-	-	(5 269)
Business development expenses	(20 694)	(537)	(6 220)	(14 242)	305
<b>Operating profit before depreciation</b>	<b>28 789</b>	<b>42 698</b>	<b>(6 220)</b>	<b>(2 773)</b>	<b>(4 915)</b>
Gain/(loss) on sale on assets	34	24	-	10	-
Depreciation vessel/shipyard	(13 233)	(13 233)	-	-	-
Depreciation other assets	(1 092)	(228)	-	(3)	(860)
Impairment	-	-	-	-	-
<b>Operating profit</b>	<b>14 498</b>	<b>29 261</b>	<b>(6 220)</b>	<b>(2 767)</b>	<b>(5 776)</b>
Interest expenses	(18 272)	(18 184)	-	-	(88)
Interest income	61	5	-	0	56
Other financial items	1 503	2	(25)	(4)	1 530
<b>Profit before tax</b>	<b>(2 209)</b>	<b>11 084</b>	<b>(6 245)</b>	<b>(2 770)</b>	<b>(4 278)</b>
Tax	(193)	(193)	-	-	(0)
<b>Profit after tax</b>	<b>(2 402)</b>	<b>10 891</b>	<b>(6 245)</b>	<b>(2 770)</b>	<b>(4 278)</b>

## 30 September 2012

Intangible assets				
Licenses, design and other intangibles	73 062	1 126	34 934	37 002
Tangible assets				
Vessels and newbuildings	684 517	489 887	194 630	-
Additions in the period:	184 863	47 700	137 163	

## 1 January – 30 September 2011

Statement of income	Total consolidated	Fleet and operation	Regasification	Floating production	General
Freight revenue	77 335	77 335	-	-	-
Voyage expenses	(111)	(111)	-	-	-
<b>Income on T/C basis</b>	<b>77 223</b>	<b>77 224</b>	-	-	-
Management income	2 605	2 605	-	-	-
Other income	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>79 828</b>	<b>79 828</b>	-	-	-
Charter hire expenses	(15 057)	(15 057)	-	-	-
Operating expenses	(21 800)	(21 800)	-	-	-
Administrative expenses	(10 453)	(3 768)	-	-	(6 685)
Business development expenses	(9 913)	(283)	(5 134)	(4 496)	-
<b>Operating profit before depreciation</b>	<b>22 606</b>	<b>38 921</b>	<b>(5 134)</b>	<b>(4 496)</b>	<b>(6 685)</b>
Gain/(loss) on sale on assets	(80)	(16)	-	-	(64)
Depreciation vessel/shipyard	(12 906)	(12 906)	-	-	-
Depreciation other assets	(759)	(332)	-	-	(428)
Impairment	-	-	-	-	-
<b>Operating profit</b>	<b>8 861</b>	<b>25 637</b>	<b>(5 134)</b>	<b>(4 496)</b>	<b>(7 146)</b>
Interest expenses	(18 875)	(18 875)	-	-	-
Interest income	621	0	-	0	621
Other financial items	31	-	-	-	31
<b>Profit before tax</b>	<b>(9 363)</b>	<b>6 762</b>	<b>(5 134)</b>	<b>(4 496)</b>	<b>(6 495)</b>
Tax	307	-	-	-	307
<b>Profit after tax</b>	<b>(9 056)</b>	<b>6 762</b>	<b>(5 134)</b>	<b>(4 496)</b>	<b>(6 188)</b>

## 30 September 2011

Intangible assets				
Licenses, design and other intangibles	82 940	2 593	43 379	36 968

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 nine month periods ended 30 September 2012 and 2011, respectively, each of the three customers shown in the table below represented income that amounted to 10 % or more of total income:

<b>Income on T/C basis (USD'000)</b>		
<b>Nine months ended</b>	<b>30 September 2012</b>	<b>30 September 2011</b>
Statoil ASA	19 659	19 829
Total E&P Norge AS	18 341	17 777
GDF Suez Global LNG Supply SA	30 054	30 596
Other customers	15 261	9 021
<b>Total</b>	<b>83 315</b>	<b>77 223</b>

All income on T/C basis is shown in the fleet and operation segment.

#### **4. RELATED PARTY TRANSACTIONS**

##### **Transactions with joint ventures**

Høegh LNG provides various management services to the Group's joint venture companies and receives management income from external joint venture partners related to technical, commercial and administrative services. The total management income from related parties in Høegh LNG amounted USD 1.4 million and USD 1.1 million for the first nine months of 2012 and 2011, respectively.

##### **Transactions with other related parties**

Høegh LNG has entered into agreements with the related party Høegh Autoliners Management AS ("HAM") relating to the purchase of some administrative services and leasing of office space. At the end of the reporting period, HAM was indirectly majority controlled by Leif O. Høegh and a family trust under which Morten W. Høegh is the primary beneficiary. Total transactions that have been entered into with HAM for the nine months ending 30 September 2012 and 30 September 2011 amounted to USD 1.9 million and USD 2.5 million, respectively.

In 2011 Høegh LNG entered into an agreement with the related party Høegh Capital Partners AS ("HCP") for the management of excess liquidity in the form of marketable securities. At the end of the reporting period, HCP was indirectly controlled by Leif O. Høegh and a family trust under which Morten W. Høegh is the primary beneficiary. After redeeming marketable securities of USD 81.0 million during third quarter of 2012, the portfolio's market value was USD 63.3 million as at 30 September 2012. The fair value of the marketable securities amounted to USD 90.1 million at 30 September 2011. The management fee paid to HCP amounted to USD 0.1 million and USD 0.2 million for the quarter and year to date, respectively. The changes in fair value, net of management fee paid to HCP, is recognized as financial income by USD 0.5 million in the quarter and USD 1.6 million till date. USD 0.1 million was recorded as net gain in third quarter and the first nine months of 2011 and no fee was paid.

For more detailed description of related parties' transactions, see information disclosed in the 2011 Annual Report, Note 36.

#### **5. EQUITY**

On 3 February 2012 Høegh LNG Holdings Ltd. completed a private placement raising USD 206.4 million in gross proceeds through the issuance of 22 641 509 new shares, each at a subscription price of NOK 53 per share.

A subsequent repair offering followed on 22 March 2012 where Høegh LNG issued 226 536 new shares at NOK 53 per share, raising USD 2.1 million in gross proceeds. Transaction costs of USD 6.8 million, relating to these two issuances have been recorded against share premium.

On 30 August 2012, the share capital was increased by USD 83.04, from USD 698 772.15 to USD 698 855.19, by issuing 8 304 new shares. The new number of issued shares is 69 885 519. The shares were issued at a subscription price of NOK 43.20 as remuneration to some of the Company's Directors.

#### **6. COMMITMENTS AND FINANCING**

The Group has shipbuilding contracts with Hyundai Heavy Industries Co. Ltd. for delivery of four new FSRUs, a contractual obligation to pay for the building of a mooring relating to the PGN FSRU and exercised an option to acquire 50% of the LNG carrier STX Frontier. Total remaining capital expenditures relating to these commitments is approximately USD 1.2 billion as of 30 September 2013, including yard payments, project expenses and finance costs,

and taking the revised commercial terms for the PGN FSRU into consideration. Remaining capital expenditure will be payable through April 2015.

Höegh LNG has a USD 288 million debt facility agreement in place, which may be used for two of the four FSRUs currently on order. The facility is intended as a back-up financing should long term financing of the vessels not be secured before delivery. The facility is currently undrawn.

The Company has a USD 250 million senior secured credit facility for the financing of the FSRU for Klaipėdos Nafta in Lithuania in place (see further under “Subsequent Events” below). The facility is currently undrawn.

Long-term project financing will be raised for the respective vessels on order after project award. It is expected that about 75 % of the delivered cost of the respective projects will be funded by long-term debt financing.

Debt financing for the purchase of 50 % of STX Frontier will be sought after a charter agreement has been entered into. It is expected that about 65 % of the purchase price will be funded by long-term debt financing.

Höegh LNG has issued a NOK 750 million (USD 130.3 million) senior unsecured bond with maturity on 3 October 2017. This loan was not recorded in the financial statements until October 2012.

## **7. HEDGING RESERVES**

Hedging reserves relate to the interest rate swaps in place for the two Arctic and the two Neptune vessels. At 30 September 2012, the accumulated negative mark-to-market valuation of these interest rate swaps was recognised in the financial position by USD 137.3 million. The maturity profile of this liability is non-current (greater than one year) by USD 118.3 million and current (within one year) by USD 18.9 million, respectively. Other comprehensive income was positive by USD 0.2 million during the quarter and a loss was recorded in other comprehensive income for the first nine months of 2012 by USD 5.7 million.

## **8. SUBSEQUENT EVENTS**

In October 2012, Höegh LNG entered into an agreement to sell its wholly owned subsidiary Port Meridian Energy Limited for a cash consideration of USD 20 million to Meridian Holdings Co., an entity advised by West Face Capital Inc. and owned by a fund managed by West Face Capital. Port Meridian Energy Limited has developed plans and received permits for a deep water port for LNG imports and regasification near the coast of Barrow-in-Furness in England. Under a joint development agreement with the West Face Fund, Höegh LNG will supply and operate the FSRU intended for the planned LNG import terminal. Port Meridian will continue to develop the commercial agreements for LNG imports and the pipeline connecting the FSRU to the gas distribution grid. Both parties are committed to successfully developing the project with an ambition to start operations in 2016. The investment in Port Meridian has been reclassified during the quarter from intangible assets to assets held for sale at USD 9.3 million as at 30 September 2012. The transaction will result in gain of about USD 10 million which will be recorded in the third quarter.

In October 2012, PGN and Höegh LNG signed the amended commercial agreement for the FSRU project to be located in the Lampung province at the south east coast of Sumatra. Höegh LNG will provide the same FSRU as intended for the initial location with modifications as required by the client. The agreement remains for a 20 year term with two five year extension options. The annual EBITDA contribution from the FSRU lease is approximately USD 40 million for the firm 20 year period. As under the initial agreement, the mooring system will be paid for and built by Höegh LNG, but under the amended agreement, PGN will purchase the mooring system for a consideration of approximately USD 100 million upon completion. The planned start-up date has been moved from February 2014 to June 2014, and Höegh LNG will receive full compensation for the delayed start-up reflected in the said EBITDA contribution. The delivery date of the FSRU from the yard has due to the re-location been re-scheduled for the end of April 2014.

In November 2012, Höegh LNG signed the final documentation with four banks for a USD 250 million corporate senior secured facility for the financing of the floating storage and regasification unit to be delivered for Klaipėdos Nafta's LNG import terminal project in Lithuania. The Facility is 75% guaranteed by the Korean credit agency K-sure and the Norwegian credit agency GIEK. The Facility has a tenor of seven years and an overall profile of 16 years. The interest rate has been swapped from floating to fixed for the length of the underlying commercial agreement resulting in a total fixed interest rate of 5.1%.