HÖEGH LNG

# INTERIM RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2016

## Highlights

- EBITDA[1] of USD 26.5 million, which is in line with USD 27.0 million in the previous quarter
- Profit after tax of USD 3.3 million, which is in line with USD 3.5 million in the previous quarter
- Dividend of USD 0.10 per share paid for the third quarter of 2016

## Subsequent events

- Dividend of USD 0.10 per share declared for the fourth quarter of 2016
- Höegh Grace entered the commissioning phase under the SPEC contract in Colombia
- HMLP made a shelf registration filing with the SEC

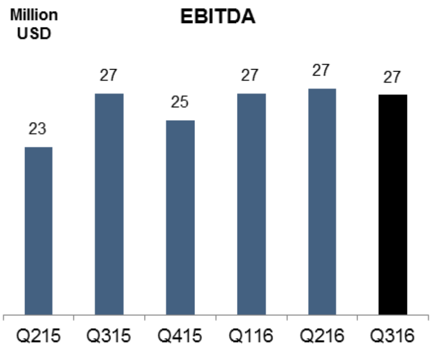
## Generating value through operational excellence

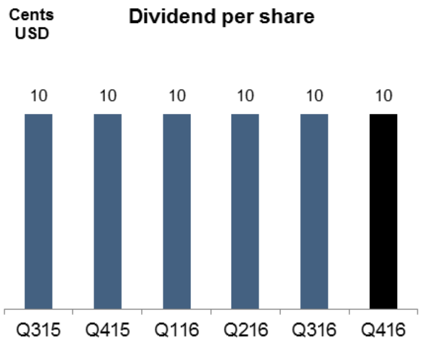
With all units operating in accordance with their long-term contracts, Höegh LNG Holdings Ltd. (the Company) and its subsidiaries (together Höegh LNG or the Group)[2] delivered another quarter with stable operating results. As additional FSRUs are delivered and commence operations, there will be a step-by-step growth in the operating result.

With ample supply of LNG being available at competitive prices, the utilisation of the Group's fleet of FSRUs under long-term contract continues to increase. The regas average send-out rate of Höegh LNG's fleet more than doubled during the first nine months of this year compared with the same period last year, a development which further reinforces the economic attractiveness of FSRUs.

The Colombian FSRU project entered its start-up phase when Höegh Grace arrived in Cartagena early November 2016 and subsequently loaded its commissioning cargo. Commercial operation is expected to commence in early December 2016. Subject to MLP equity market conditions, a drop-down to HMLP could take place shortly after commercial start up. As part of the ongoing preparations for a potential partial or full drop-down, HMLP has made a shelf registration filing with the SEC.

**Table: reported EBITDA and declared dividend per share**

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[1] Please see list of abbreviations in Appendix 1

[2] The financial statements for Höegh LNG include HMLP on a consolidated basis and unless otherwise stated, figures in this section are compared with figures for the second quarter of 2016

## Group financial review[2]

Höegh LNG reported an EBITDA of USD 26.5 million for the third quarter of 2016, compared with USD 27.0 million for the previous quarter. The stable operating result reflects the fact that all units operated in accordance with their long-term contracts during the quarter. Höegh Grace concluded its short-term charter with Trafigura during the quarter and therefore had limited impact on the results ahead of the expected commencement of its long-term FSRU contract in December 2016.

Depreciation totalled USD 9.2 million in the quarter and was in line with previous quarter. Net financial expenses were USD 12.8 million, compared with USD 13.7 million for the second quarter 2016, leading to a profit after tax of USD 3.3 million in the quarter, which also was in line with the previous quarter.

Net cash flows for the quarter were positive at USD 0.9 million, compared with a negative USD 41.8 million in the previous period. Uses during the quarter primarily comprised capital expenditure, debt service and dividend payments, while sources consisted mainly of net cash generated from operating activities as well as redemption of marketable securities.

As of 30 September 2016, Höegh LNG had USD 269.0 million in current cash and marketable securities (USD 294.7 million) and a net interest-bearing debt of USD 663.0 million (USD 650.5 million). Book equity after adjusting for the mark-to-market of interest rate swaps was USD 576.4 million as of 30 September 2016 (USD 584.6 million), which is equivalent to an adjusted book equity ratio of 35.7% (35.6%).

**Table: selected financial items**

| USD'000 | 3Q2016 | 2Q2016 | 1Q2016 | 4Q2015 | 3Q2015 |
|---|---|---|---|---|---|
| Total income | 58 056 | 57 142 | 55 439 | 58 668 | 58 316 |
| EBITDA | 26 492 | 26 985 | 26 620 | 24 599 | 26 566 |
| (Impairment) / reversal of impairment | - | - | - | (37 002) | - |
| EBIT | 17 265 | 17 757 | 19 342 | (19 305) | 16 690 |
| Profit (loss) after tax | 3 334 | 3 550 | 6 302 | (32 993) | 2 499 |
| | | | | | |
| Total assets | 1 616 466 | 1 643 546 | 1 667 495 | 1 502 280 | 1 548 779 |
| Equity adjusted for hedging reserves | 576 441 | 584 661 | 592 432 | 597 834 | 641 707 |
| Net interest-bearing debt | (663 129) | (650 476) | (615 837) | (423 155) | (413 051) |
| Equity ratio adjusted for hedging reserves | 35.7 % | 35.6 % | 35.5 % | 39.8 % | 41.4 % |

## Corporate/other activities

*Dividend payment of USD 0.10 per share*

The Company paid a cash dividend of USD 0.10 per share in the third quarter of 2016, which is equivalent to USD 7.7 million.

The board of directors of the Company declared a cash dividend on 16 November 2016 of USD 0.10 per share for the fourth quarter of 2016. The Company's shares will trade ex-dividend on 8 December 2016. Shareholders recorded in the VPS following the close of trading on Oslo Børs (the Oslo stock exchange) on 9 December 2016 will be entitled to the dividend. The dividend will be payable on or around 20 December 2016.

*Distributions received from HMLP*

Höegh LNG received USD 6.3 million in distributions and USD 0.1 million in Incentive Distribution Rights from HMLP in the third quarter of 2016.

## Business review

*FSRU*

All the FSRUs in Höegh LNG's fleet operated in accordance with contract during the quarter and the Group's technical availability continues to be close to 100%. Our clients' utilisation of Höegh LNG's FSRU fleet continues to increase, driven by their access to competitively priced LNG. Compared with the same period of last year, the send-out rate over the first nine months has more than doubled.

**Table: Technical availability of fleet**

| | YTD 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Technical availability | 99,9 % | 99,95 % | 99,70 % | 99,87 % |

The FSRU project in Colombia entered the commissioning phase when Höegh Grace berthed in Cartagena on 1 November 2016 and subsequently received the commissioning cargo. Höegh Grace has the capacity to cover around 40% of Colombia's natural gas demand and will facilitate the import of energy needed to meet increasing demand for electricity in the country. The FSRU will also ensure security of supply for Colombia during periods of drought, when the country has limited hydropower. When Höegh Grace has completed the commissioning phase, the vessel will commence commercial operations and start generating cash flows under the long-term contract.

Depending on MLP equity market conditions, Höegh Grace may be dropped down to HMLP in one or more transactions. HMLP has made preparations for an efficient drop-down transaction by making a shelf registration filing with the SEC.

The Penco LNG FSRU project in Chile reached important milestones when all permits were issued by the regulatory authorities during the third quarter of 2016. The Penco LNG contract will be serviced by FSRU#8, currently under construction at HHI. Höegh LNG has initiated the debt financing process for this FSRU and plans to have the financing in place by the middle of 2017.

Höegh LNG is making progress on securing employment for FSRU#7, on schedule for delivery in March 2017, as well as for additional FSRU's from its planned newbuild orders and/or conversion project. Höegh LNG is participating in several tender and bi-lateral processes and has entered into a MoU for exclusive negotiations for one project under development. The level of business development activity is currently high. Several new FSRU projects have been proposed lately, most of which have a start-up date in 2017 and 2018.

Höegh LNG is currently in the final round of evaluating bids received from shipyards for its next FSRU newbuilding series. The terms and conditions of the offers received are very competitive, reflecting the current shipbuilding market. Given strong FSRU market fundamentals, Höegh LNG is considering taking advantage of the current yard terms to further strengthen its competitive position as the leading provider of FSRU services.

The FSRU Conversion Project is well advanced and on schedule, with the regasification plant on firm order with Wärtsila, the tender launched for selecting the conversion yard, ongoing negotiations for purchasing an LNGC, and ongoing commercial negotiations with potential FSRU clients.

*LNGC*

The two Arctic LNGCs were operated in accordance with their long-term contracts.

## Market

The oversupplied LNG market and competitive LNG prices have led to high utilisation of new importing facilities, the majority of which are FSRUs. In addition, many new importers have an energy deficit which exceeds the capacity of one FSRU. Because their first FSRU project has been a success the threshold for committing to a second or third FSRU is low. Consequently, a large number of the projects currently being pursued by the Group are located in countries that already have at least one FSRU in operation.

Around 100 MTPA of additional LNG liquefaction capacity will enter the market between 2017 and 2020. The LNG market should therefore continue to see ample additional supplies as the remaining LNG liquefaction projects commence operations. Coupled with the expectations for continued low LNG prices, this will support continued growth in the FSRU segment.

The LNGC spot and short-term market remains weak but with some signs of improvement, albeit, from a very low base. With both its LNGCs on long-term contracts, Höegh LNG currently has no exposure to the LNGC spot market.

## Outlook

Höegh LNG continues to focus on operational excellence, expressed by a technical availability close to 100% across its fleet. This forms the basis for the Group's stable operating results generated from long-term contracts. The potential Höegh Grace drop-down will be a value-generating transaction and allow the Group to utilise an attractive financial source, which enables it to recycle its equity capital and continue its strong growth performance. With a solid operational and financial platform in place, the Group is well positioned to take advantage of the growing FSRU market to reach its ambition of having 12 FSRUs in operation and under construction by 2019.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

| USD'000 | Note | *Unaudited* 3Q 2016 | *Unaudited* 2Q 2016 | *Unaudited* 3Q 2015 | *Unaudited* YTD 2016 | *Unaudited* YTD 2015 |
|---|---|---|---|---|---|---|
| Freight revenues | | 53 539 | 52 320 | 54 110 | 157 010 | 147 413 |
| Management and other income | | 1 042 | 1 482 | 1 432 | 3 514 | 5 437 |
| Share of results from investments in joint ventures | | 3 475 | 3 340 | 2 774 | 10 115 | 7 853 |
| **Total income** | | **58 056** | **57 142** | **58 316** | **170 639** | **160 703** |
| Charterhire expenses | | (8 888) | (8 792) | (8 898) | (26 471) | (26 404) |
| Bunker expenses | | (157) | (60) | (110) | (254) | (970) |
| Operating expenses | | (12 113) | (11 705) | (11 509) | (33 167) | (31 833) |
| Project administrative expenses | | (2 862) | (2 902) | (2 255) | (8 724) | (9 601) |
| Group administrative expenses | | (5 251) | (4 864) | (4 821) | (14 881) | (14 898) |
| Business development expenses | | (2 293) | (1 834) | (4 157) | (7 044) | (11 303) |
| **Operating profit before depreciation and impairment** | 3 | **26 492** | **26 985** | **26 566** | **80 098** | **65 694** |
| Depreciation | | (9 227) | (9 228) | (6 876) | (25 732) | (23 815) |
| (Impairment) / reversal of impairment | | - | - | - | - | 3 115 |
| **Operating profit after depreciation and impairment** | | **17 265** | **17 757** | **19 690** | **54 366** | **44 994** |
| Interest income | | 346 | 362 | 390 | 1 159 | 1 139 |
| Interest expenses | | (14 257) | (14 649) | (12 645) | (41 845) | (31 380) |
| Income from other financial items | | 1 701 | 1 619 | 643 | 4 912 | 1 553 |
| Expenses from other financial items | | (597) | (1 055) | (6 012) | (2 991) | (10 004) |
| **Net financial items** | | **(12 807)** | **(13 723)** | **(17 624)** | **(38 765)** | **(38 692)** |
| **Ordinary profit before tax** | | **4 458** | **4 034** | **2 066** | **15 601** | **6 302** |
| Corporate income tax | | (1 124) | (484) | 433 | (2 417) | (66) |
| **Profit for the period** | | **3 334** | **3 550** | **2 499** | **13 184** | **6 236** |
| **Profit of the period attributable to (from):** | | | | | | |
| Equity holders of the parent | | 172 | 766 | 150 | 4 710 | (45) |
| Non-controlling interests | | 3 162 | 2 784 | 2 349 | 8 474 | 6 281 |
| | | **3 334** | **3 550** | **2 499** | **13 184** | **6 236** |
| **Earnings per share attributable to equity holders of the parent during the period:** | | | | | | |
| Basic and diluted earnings per share | | 0.00 | 0.01 | 0.00 | 0.06 | 0.00 |

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| USD'000 | Note | *Unaudited* 3Q 2016 | *Unaudited* 2Q 2016 | *Unaudited* 3Q 2015 | *Unaudited* YTD 2016 | *Unaudited* YTD 2015 |
|---|---|---|---|---|---|---|
| **Profit for the period** | | **3 334** | **3 550** | **2 499** | **13 184** | **6 236** |
| **Items that may be subsequently reclassified to profit or loss** | | | | | | |
| Net gain (loss) on hedging reserves | | 9 873 | (8 430) | (16 371) | (15 543) | (16 301) |
| Share of other comprehensive income from joint ventures | | 5 991 | (5 777) | (10 400) | (12 502) | (1 633) |
| **Other comprehensive income (loss) for the period net of tax** | 6 | **15 864** | **(14 207)** | **(26 771)** | **(28 045)** | **(17 934)** |
| **Total comprehensive income (loss)** | | **19 198** | **(10 657)** | **(24 272)** | **(14 861)** | **(11 698)** |
| **Total comprehensive income attributable to (from):** | | | | | | |
| Equity holders of the parent | | 13 041 | (10 802) | (22 029) | (17 479) | (18 471) |
| Non-controlling interests | | 6 157 | 145 | (2 243) | 2 618 | 6 773 |
| | | **19 198** | **(10 657)** | **(24 272)** | **(14 861)** | **(11 698)** |

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | *Unaudited* | *Unaudited* | *Audited* |
|---|---|---|---|---|
| | | **2016** | **2016** | **2015** |
| USD'000 | Note | 30 Sep | 30 Jun | 31 Dec |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| **Intangible assets** | | | | |
| Deferred tax assets | | 391 | 378 | 363 |
| **Tangible assets** | | | | |
| Investments in FSRUs | | 1 147 416 | 1 155 386 | 871 353 |
| Investments in new buildings under construction | | 98 147 | 91 596 | 161 198 |
| Other non-current financial assets | 6 | 7 429 | 8 423 | 12 960 |
| Other non-current assets | | 23 293 | 24 155 | 25 539 |
| Shareholder loans | | 2 311 | 3 598 | 6 861 |
| Restricted cash | 7 | 23 046 | 20 290 | 19 648 |
| **Total non-current assets** | | **1 302 033** | **1 303 826** | **1 097 922** |
| **Current assets** | | | | |
| Bunkers and inventories | | 1 538 | 806 | 1 684 |
| Trade and other receivables | | 37 448 | 37 503 | 33 307 |
| Shareholder loans | | 6 450 | 6 725 | 7 130 |
| Marketable securities | | 189 494 | 212 999 | 231 094 |
| Restricted cash | | 9 449 | 12 531 | 15 542 |
| Cash and cash equivalents | | 70 054 | 69 156 | 97 623 |
| **Total current assets** | | **314 433** | **339 720** | **386 380** |
| **Asset held for sale** | | **-** | **-** | **17 978** |
| **TOTAL ASSETS** | | **1 616 466** | **1 643 546** | **1 502 280** |
| | | | | |
| **EQUITY AND LIABILITES** | | | | |
| **Equity** | | | | |
| Share capital | | 769 | 769 | 768 |
| Other paid-in capital | | 524 548 | 524 006 | 522 954 |
| Capital reserves | | (103 608) | (116 478) | (81 438) |
| Retained earnings | | (39 233) | (31 042) | (19 927) |
| **Equity attributable to equity holders of the parent** | | **382 476** | **377 255** | **422 357** |
| Non-controlling interests | | 59 652 | 57 229 | 69 208 |
| **Total equity** | | **442 128** | **434 484** | **491 565** |
| **Non-current liabilities** | | | | |
| Deferred tax liability | | 3 735 | 2 946 | 358 |
| Non-current interest-bearing debt | | 886 693 | 904 746 | 732 026 |
| Investments in joint ventures | | 75 890 | 85 355 | 73 502 |
| Other non-current financial liabilities | 6 | 74 688 | 89 098 | 70 699 |
| Deferred revenue | | 6 221 | 6 681 | 7 699 |
| **Total non-current liabilities** | | **1 047 227** | **1 088 826** | **884 284** |
| **Current liabilities** | | | | |
| Current interest-bearing debt | | 68 479 | 60 706 | 55 036 |
| Income tax payable | | 878 | 548 | 2 218 |
| Trade and other payables | | 13 627 | 14 542 | 18 706 |
| Other current financial liabilities | 6 | 16 338 | 18 713 | 18 372 |
| Other current liabilities | | 27 789 | 25 727 | 32 099 |
| **Total current liabilities** | | **127 111** | **120 236** | **126 431** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 616 466** | **1 643 546** | **1 502 280** |

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| USD'000 | *Unaudited* 3Q2016 | *Unaudited* 2Q2016 | *Unaudited* 3Q2015 | *Unaudited* YTD2016 | *Unaudited* YTD2015 |
|---|---|---|---|---|---|
| **Operating activities:** | | | | | |
| Profit (loss) before tax for the period | 4 458 | 4 034 | 2 066 | 15 601 | 6 302 |
| *Non-cash adjustment to reconcile profit before tax to net operational cash flow* | | | | | |
| Depreciation FSRUs, drydocking and equipment | 9 227 | 9 228 | 6 876 | 25 733 | 23 815 |
| Impairment (reversal of impairment) | - | - | - | - | (3 115) |
| Fair value adjustments on marketable securities | (1 495) | (1 664) | (353) | (4 556) | (901) |
| Interest income | (346) | (167) | (390) | (965) | (1 139) |
| Interest cost | 14 257 | 14 649 | 12 645 | 41 845 | 31 380 |
| Net loss (income) on interest rate hedges | (206) | 45 | (62) | (355) | 803 |
| Share based payment cost and board remuneration not paid-out | 572 | 607 | 490 | 1 593 | 1 430 |
| Share of profit from investments in joint ventures | (3 475) | (3 340) | (2 774) | (10 114) | (7 852) |
| *Working capital adjustments* | - | | | | |
| Change in inventories, receivables and payables | (3 890) | (4 351) | 792 | (15 389) | 7 089 |
| Dividend received from joint ventures | - | - | - | - | 1 578 |
| Payment of income tax | (7) | (333) | - | (340) | - |
| **i) Net cash flow from operating activities** | **19 095** | **18 708** | **19 290** | **53 053** | **59 389** |
| **Investing activites:** | | | | | |
| Investment in marketable securities | - | - | - | - | (90 000) |
| Proceeds from sale of marketable securities | 25 000 | 9 756 | - | 46 269 | 64 176 |
| Investments in FSRUs, drydocking and new buildings | (3 114) | (30 051) | (7 603) | (232 257) | (54 205) |
| Net proceeds from sale of LNG Libra | - | - | - | 17 978 | - |
| Investment in intangibles, equipment and other | (647) | (133) | (21) | (780) | (494) |
| Repayment of shareholder loans | 1 750 | 2 400 | 1 613 | 5 900 | 4 921 |
| **ii) Net cash flow from investing activities** | **22 989** | **(18 029)** | **(6 011)** | **(162 889)** | **(75 603)** |
| **Financing activites:** | | | | | |
| Gross proceeds from equity issuance | - | - | 102 908 | - | 102 908 |
| Transaction cost of equity issuance | - | - | (2 497) | - | (2 497) |
| Dividend paid to non-controlling interest (HMLP) | (4 558) | (4 554) | (3 726) | (13 666) | (11 178) |
| Dividend paid to shareholders of the parent | (7 567) | (7 567) | (6 869) | (22 696) | (20 607) |
| Proceeds from borrowings | 68 | - | 7 000 | 200 067 | 165 200 |
| Payment of debt issuance cost | - | (109) | - | (2 419) | (2 615) |
| Repayment of borrowings | (15 177) | (15 177) | (11 864) | (42 218) | (35 359) |
| Interest paid | (14 278) | (13 965) | (9 958) | (40 139) | (30 561) |
| Breakage cost paid on interest rate swaps | - | - | (3 185) | - | (3 185) |
| (Increase) decrease in restricted cash | 326 | (1 110) | (2 000) | 3 338 | (1 932) |
| **iii) Net cash flow from financing activities** | **(41 186)** | **(42 482)** | **69 809** | **82 267** | **160 174** |
| **Net increase/(decrease) in cash and cash equivalents (i+ii+iii)** | **898** | **(41 803)** | **83 088** | **(27 569)** | **143 960** |
| Current cash and cash equivalents at the beginning of the period | 69 156 | 110 959 | 127 174 | 97 623 | 66 302 |
| **Current cash and cash equivalents at the end of the period** | **70 054** | **69 156** | **210 262** | **70 054** | **210 262** |

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 SEPTEMBER 2016

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ***Paid-in capital*** | | ***Capital reserves*** | | | | | |
| USD'000 | Issued capital | Share premium | Treasury shares | Other paid-in capital | Cash flow hedge reserves (Note 6) | Other capital reserves | Retained earnings | **Total** | Non-controlling interests (Note 6) [1] | **Total equity** |
| **At 1 January 2016** | **768** | **444 740** | **(12)** | **78 226** | **(78 622)** | **(2 816)** | **(19 927)** | **422 357** | **69 208** | **491 565** |
| Profit (loss) for the period | | | | | | | 4 710 | 4 710 | 8 474 | 13 184 |
| Other comprehensive income / (loss) | | | | | (22 189) | | | (22 189) | (5 856) | (28 045) |
| *Total comperehensive income* | - | - | - | - | *(22 189)* | - | *4 710* | *(17 479)* | *2 618* | *(14 861)* |
| Capital contribution to HMLP | | | | | | | (1 320) | (1 320) | 1 320 | - |
| MLP dividend to non-controlling interest | | | | | | | | - | (13 666) | (13 666) |
| Net proceeds of equity issuance | 1 | 338 | | (252) | | | | 87 | - | 87 |
| Units granted to the board of HMLP | | | | 56 | 19 | | | 75 | 114 | 189 |
| Dividend to shareholders of the parent | | | | | | | (22 696) | (22 696) | - | (22 696) |
| Share-based payment cash settled | | | | (100) | | | | (100) | - | (100) |
| Share-based payment costs | | | | 1 552 | | | | 1 552 | 58 | 1 610 |
| **At 30 September 2016 (unaudited)** | **769** | **445 078** | **(12)** | **79 482** | **(100 792)** | **(2 816)** | **(39 233)** | **382 476** | **59 652** | **442 128** |

[1] *Equity attributable to non-controlling interests at 30 September 2016 of USD 59.6 million includes negative USD 33.5 million in cash flow hedge reserves*. See table in Note 7.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ***Paid-in capital*** | | ***Capital reserves*** | | | | | |
| USD'000 | Issued capital | Share premium | Treasury shares | Other paid-in capital | Cash flow hedge reserves (Note 6) | Other capital reserves | Retained earnings | **Total** | Non-controlling interests (Note 6) [1] | **Total equity** |
| **At 1 January 2015** | **699** | **344 317** | **(12)** | **77 801** | **(83 072)** | **(2 863)** | **19 570** | **356 440** | **96 470** | **452 910** |
| Profit (loss) for the period | | | | | | | (37 737) | (37 737) | 10 979 | (26 758) |
| Other comprehensive income / (loss) | | | | | 2 906 | 47 | | 2 953 | 4 552 | 7 505 |
| *Total comperehensive income* | - | - | - | - | *2 906* | *47* | *(37 737)* | *(34 784)* | *15 531* | *(19 253)* |
| Capital contribution to HMLP | | | | | | | (2 768) | (2 768) | 2 768 | - |
| Other changes in paid in capital | | | | (869) | | | | (869) | | (869) |
| MLP dividend to non-controlling interest | | | | | | | | - | (14 904) | (14 904) |
| Sale of subsidiary to HMLP | | | | | 1 544 | | 29 177 | 30 721 | (30 721) | - |
| Net proceeds of equity issuance | 69 | 100 423 | | (41) | | | | 100 451 | - | 100 451 |
| Dividend to shareholders of the parent | | | | | | | (28 169) | (28 169) | - | (28 169) |
| Share based payment- cash settled | | | | (293) | | | | (293) | - | (293) |
| Share-based payment costs | | | | 1 628 | | | | 1 628 | 64 | 1 692 |
| **At 31 December 2015 (unaudited)** | **768** | **444 740** | **(12)** | **78 226** | **(78 622)** | **(2 816)** | **(19 927)** | **422 357** | **69 208** | **491 565** |

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The parent company, Höegh LNG Holdings Ltd. (the Company), is an exempted limited company domiciled in and incorporated under the laws of Bermuda. The principal activities of the Company and its subsidiaries (collectively Höegh LNG or the Group) are described under the segment information in Note 3. The interim financial statements where authorised for issue by the board of directors of Höegh LNG Holdings Ltd. on 16 November 2016.

### 2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ended 30 September 2016 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 2015. New and amended standards effective for periods beginning at or after 1 January 2016 are considered not to have material effects on the Group's financial statements.

### 3. SEGMENT INFORMATION

For the purpose of making decisions about resource allocation and performance assessment, management monitors the operating results of Höegh LNG's operating segments separately. The only assets and liabilities included in the segment report are vessels, newbuildings, interest-bearing debt and intangible assets. In segment reporting, the Group's joint ventures are evaluated using the proportionate consolidation method rather than the equity method.

#### Commercial

The commercial segment is responsible for the commercial management of the Group's FSRU and LNGC operations and for tendering activities related to new FSRU business. The segment includes time-charter income and operating expenses for the FSRUs Independence and Höegh Grace, the LNGCs Arctic Princess and Arctic Lady. The LNGC LNG Libra was included until delivery to its new owners in the first quarter of 2016. The segment includes bareboat hire for Arctic Princess and Arctic Lady and management income for commercial management services paid by external owners. Höegh Gallant was transferred from the commercial segment to HMLP with effect from 1 October 2015.

#### MLP

The MLP segment includes activities related to HMLP, which was formed to own, operate and acquire FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. HMLP's fleet comprises ownership interests in four FSRUs, namely (i) a 50% interest in the Neptune, (ii) a 50% interest in the GDF Suez Cape Ann, (iii) a sole economic interest in the PGN FSRU Lampung and (iv) a 100% interest in Höegh Gallant, which was transferred to the segment with effect from 1 October 2015. Capitalised costs within the segment relate to the ownership of FSRUs.

#### Technical

The technical segment is responsible for technical management of the Group's FSRUs and LNGCs and for the execution of new regasification and transport projects until delivery. The segment records income for technical management services paid by external owners in the Group's jointly controlled vessels and by the third-party owners of Matthew, the latter until it was sold in July 2016. The segment furthermore records revenue and expenses relating to new FSRU and LNGC contracts until delivery. Capitalised costs in the segment relate to the FSRU newbuilding programme.

#### FLNG

The FLNG segment has been responsible for developing and marketing the FLNG concept developed by the Group. It has recorded income and expenses for engineering studies and expenses related to the marketing of the concept. Capitalised costs within the segment relate to investment in a generic FLNG front-end engineering and design (FEED), which was impaired following a decision on 16 February 2016 to cease all FLNG activities.

#### Other

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

The table below sets out the Group’s operating segments for the third quarter 2016 and 2015, respectively.

**Table: segment information**

| Segment information USDm | Commercial | | FLNG | | Technical | | MLP | | Other | | Consolidated (proportionate) | | Adjustments | | Consolidated (equity method) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 | Q3 2016 | Q3 2015 |
| Freight revenue | 28.8 | 41.9 | - | - | - | - | 35.5 | 22.7 | - | - | 64.3 | 64.6 | (10.8) | (10.5) | 53.5 | 54.1 |
| Management and other income | 1.0 | 0.2 | - | 0.5 | - | 0.7 | - | - | 0.1 | - | 1.1 | 1.4 | (0.1) | - | 1.0 | 1.4 |
| Share of results from inv. in JVs | - | - | - | - | - | - | - | - | - | - | - | - | 3.5 | 2.8 | 3.5 | 2.8 |
| **TOTAL INCOME** | **29.8** | **42.1** | **-** | **0.5** | **-** | **0.7** | **35.5** | **22.7** | **0.1** | **-** | **65.4** | **66.0** | **(7.4)** | **(7.7)** | **58.0** | **58.3** |
| Charter hire expenses | (5.2) | (5.2) | - | - | - | - | - | - | - | - | (5.2) | (5.2) | (3.7) | (3.7) | (8.9) | (8.9) |
| Bunker expenses | (0.1) | (0.1) | - | - | - | - | - | - | - | - | (0.1) | (0.1) | (0.1) | - | (0.2) | (0.1) |
| Operating expenses | (6.9) | (9.1) | - | - | (0.4) | (0.7) | (6.8) | (3.7) | - | - | (14.1) | (13.5) | 2.0 | 2.0 | (12.1) | (11.5) |
| Project administrative expenses | (1.2) | (1.4) | - | - | (1.1) | (0.3) | (0.9) | (0.8) | - | - | (3.2) | (2.4) | 0.4 | 0.1 | (2.8) | (2.3) |
| Group administrative expenses | - | - | - | - | - | - | (1.5) | (1.6) | (3.7) | (3.3) | (5.2) | (4.8) | - | - | (5.2) | (4.8) |
| Business development expenses | (1.7) | (2.0) | - | (1.9) | (0.6) | (0.3) | - | - | - | - | (2.3) | (4.2) | - | - | (2.3) | (4.2) |
| **EBITDA** | **14.7** | **24.4** | **-** | **(1.4)** | **(2.1)** | **(0.6)** | **26.3** | **16.6** | **(3.6)** | **(3.3)** | **35.3** | **35.8** | **(8.8)** | **(9.3)** | **26.5** | **26.5** |

| Segment information USDm | Commercial | | FLNG | | Technical | | MLP | | Other | | Consolidated (proportionate) | | Adjustments | | Consolidated (equity method) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Selected items in Financial Position** | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 | 30 Sep 2016 | 30 Sep 2015 |
| **Intangible assets** | | | | | | | | | | | | | | | | |
| Licenses, design and other intangibles | - | - | - | 37.0 | - | - | - | - | | | - | 37.0 | - | - | - | 37.0 |
| **Tangible assets** | | | | | | | | | | | - | - | - | - | | |
| Investments in LNGC, FSRUs and NBs | 705.2 | 716.7 | - | - | 95.1 | 158.6 | 841.0 | 570.9 | - | - | 1 641.3 | 1 446.2 | (194.3) | (410.4) | 1 447.0 | 1 035.8 |
| **Liabilities** | | | | | | | | | | | - | - | - | - | | |
| Interest-bearing debt | 579.8 | 526.6 | - | | - | - | 517.9 | 438.8 | 221.9 | 215.7 | 1 319.6 | 1 181.1 | (364.4) | (380.3) | 955.2 | 800.8 |

## 4. RELATED PARTY TRANSACTIONS

Höegh 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. Total management income from related parties in Höegh LNG amounted to USD 0.9 million in the third quarter of 2016 (USD 1.0 million). For a more detailed description of recurring related party transactions, see information disclosed in Note 32 of the 2015 annual report.

## 5. COMMITMENTS AND FINANCING

The Group entered into four FSRU shipbuilding contracts with HHI in 2011 and 2012, all of which have been delivered. They include Höegh Grace, which was delivered in the first quarter 2016. To finance the delivery of Höegh Grace, the remaining USD 200 million available under the USD 412 million bank debt facilities was drawn. The Group entered into two additional FSRU shipbuilding contracts with HHI in 2014 and 2015, respectively, with expected delivery during the first quarter of 2017 and 2018, respectively. As of 30 September 2016, total remaining capital expenditures relating to these commitments were approximately USD 534 million, including long-lead items for potential conversion project, yard payments, project expenses, finance costs and contingencies. Approximately USD 316 million of this is payable by September 2017, with the remainder falling due through the second quarter of 2018.

Total liquidity available is USD 462 million, which includes USD 268 million in current cash and marketable securities and an undrawn bank loan facility on USD 194 million. In addition, the Group is planning to raise bank financing for FSRU#8 before delivery, for which a 20-year time charter has been secured.

### Table: interest-bearing debt

**Net Interest-bearing debt**

| USD'000 | 30 Sep 2016 | 30 Jun 2016 | 2015 |
|---|---|---|---|
| Non current interest-bearing debt | 886 693 | 904 746 | 732 026 |
| Current interest-bearing debt | 68 479 | 60 706 | 55 036 |
| **Total interest-bearing debt** | **955 172** | **965 452** | **787 062** |
| | | | |
| Cash and marketable securities | 268 997 | 294 686 | 344 259 |
| Long term restricted cash | 23 046 | 20 290 | 19 648 |
| **Net interest-bearing debt** | **663 129** | **650 476** | **423 155** |

**Spesification of interest-bearing debt**

| USD'000 | 30 Sep 2016 | 30 Jun 2016 | 2015 |
|---|---|---|---|
| Mortgage debt | 759 930 | 775 040 | 601 954 |
| Bond debt | 216 441 | 213 079 | 209 010 |
| **Interest-bearing debt outstanding** | **976 371** | **988 119** | **810 964** |
| Debt issuance cost | (21 199) | (22 667) | (23 902) |
| **Total interest-bearing debt** | **955 172** | **965 452** | **787 062** |

**Repayment schedule for interest-bearing debt***

| USD'000 | 30 Sep 2016 | 30 Jun 2016 | 2015 |
|---|---|---|---|
| Due in year 1 | 68 479 | 60 706 | 55 036 |
| Due in year 2 | 147 148 | 151 491 | 126 466 |
| Due in year 3 | 121 751 | 121 751 | 47 456 |
| Due in year 4 | 448 673 | 455 272 | 235 952 |
| Due in year 5 and later | 190 321 | 198 898 | 346 053 |
| **Total interest-bearing debt** | **976 371** | **988 119** | **810 964** |

*Independence is financed by a commercial tranche of USD 61 million that needs to be refinanced by 2017. Should Höegh LNG not refinance this tranche the full outstanding amount of the ECA tranche, USD 106 million, will fall due in 2017. The above table assumes the ECA tranche will continue to amortize.

**Net interest-bearing debt and interest expenses including proportionate share of joint ventures**

| USD'000 | 30 Sep 2016 | 30 Jun 2016 | 2015 |
|---|---|---|---|
| Non current interest-bearing debt | 1 234 055 | 1 256 450 | 1 092 208 |
| Current interest-bearing debt | 85 553 | 77 523 | 71 339 |
| **Total interest-bearing debt** | **1 319 608** | **1 333 972** | **1 163 547** |
| | | | |
| Cash and marketable securities | 282 468 | 307 340 | 356 085 |
| Long term restricted cash | 35 597 | 32 841 | 32 200 |
| **Net interest-bearing debt** | **1 001 543** | **993 791** | **775 261** |
| | | | |
| **Net interest expenses** | **19 137** | **19 546** | **64 831** |

## 6. HEDGING RESERVES

Interest-rate swaps have been entered into in relation to the financing of the Group's vessels. The Group has also entered into a cross-currency interest-rate swap relating to the NOK bond and an interest-rate swap on the USD bond.

As of 30 September 2016, the mark-to-market valuation of the interest-rate swaps was recognised in the financial position with a net liability of USD 168.7 million, of which USD 157.7 million was classified as non-current liabilities and USD 11.0 million as current liabilities. USD 134.3 million of the mark-to-market valuation (MTM) of the interest rate swaps was recognised as hedge reserves in consolidated equity as of 30 September 2016.

The mark-to-market valuations of the interest-rate swaps in the Group's joint ventures are recorded as part of investments in joint ventures, which results in the investments being treated as net liabilities. The negative valuations of the interest-rate swaps in the joint ventures represent USD 96.6 million of the below.

In the third quarter of 2016, USD 15.8 million relating to the interest rate swaps was recorded as a gain under other comprehensive income (OCI), compared with a loss of USD 14.2 million in the previous quarter.

**Table: Interest rate swaps in Financial Position**

| **MTMs of cash flow hedges in the Financial Position (USD'000)** | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 | 30 Sep 2015 |
|---|---|---|---|---|---|
| MTMs presented as financial assets | - | - | 98 | 2 800 | - |
| Total MTMs presented as financial liabilities | (72 067) | (85 770) | (76 219) | (67 687) | (74 072) |
| Total MTMs in the joint ventures | (96 643) | (102 634) | (96 857) | (84 141) | (97 501) |
| **Net MTMs of cash flow hedges** | **(168 710)** | **(188 404)** | **(172 978)** | **(149 028)** | **(171 573)** |
| Foreign exchange losses under cross currency swap included in MtM | 37 117 | 40 741 | 39 567 | 45 125 | 42 047 |
| Accumulated break cost paid | (4 285) | (4 285) | (4 285) | (4 285) | (4 285) |
| Accumulated loss on swap in profit or loss | 1 565 | 1 771 | 1 726 | 1 920 | 2 151 |
| **Interest rate swaps recorded against equity** | **(134 313)** | **(150 177)** | **(135 970)** | **(106 269)** | **(131 660)** |
| *Attributable to non-controlling interest* | (33 521) | (36 515) | (33 857) | (27 646) | *(32 455)* |
| *Attributable to equity holders of the parent* | (100 792) | (113 662) | (102 113) | (78 622) | *(99 204)* |

## 7. NON-CURRENT RESTRICTED CASH

Restricted cash of USD 23.0 million as of 30 September 2016 included USD 8.8 million relating to cash denominated in EGP owing to current restrictions on foreign exchange.

**Table: Non-current restricted cash**

| **USD '000** | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 | 30 Sep 2015 |
|---|---|---|---|---|---|
| Debt service | 14 258 | 14 440 | 14 596 | 14 798 | 14 798 |
| Foreign currency | 8 788 | 5 850 | 5 750 | 4 850 | 2 000 |
| **Total non-current restricted cash** | **23 046** | **20 290** | **20 346** | **19 648** | **16 798** |

To cover EGP denominated costs relating to the time charter with EGAS in Egypt, a portion of the USD denominated time charter hire is invoiced in EGP. Due to Höegh LNG's cost efficient project structure and the lack of a foreign exchange market, a portion of the EGP payment has been accumulating on the balance sheet. At the end of the third quarter of 2016, Höegh LNG had approximately EGP 77 million in non-current restricted cash, equivalent to USD 8.8 million based on the USD/EGP exchange rate as of 30 September 2016 of 8.79.

On 3 November 2016, the Egyptian central bank announced the ending of the fixed exchange rates regime for EGP and that the currency would be allowed to float against other currencies. Due to the devaluation in connection with the floating, the EGP denominated non-current restricted cash position will be subject to a currency loss during the fourth quarter.

Going forward, a free float of the EGP would enable Höegh LNG to exchange any surplus EGP to USD at the prevailing exchange rate at an ongoing basis. Since the amount of EGP invoiced each month depends on the prevailing official USD/EGP exchange rate, the currency risk will then be limited to the time period between issuing the invoice and receiving payment from EGAS. However, the total impact from the change in the foreign exchange regime is still uncertain and as of the date of this report, it is not possible to give a complete overview of the impact it might have on the accounts.

## 8. SUBSEQUENT EVENTS

The Company declared a cash dividend on 16 November 2016 of USD 0.10 per share for the third quarter of 2016.

Höegh Grace entered the commissioning phase under the SPEC contract in Colombia.

On 3 November 2016, the Egyptian central bank announced the ending of the fixed exchange rates regime for EGP and that the currency would be allowed to float against other currencies. For more details see Note 7 above.

HMLP has made a shelf registration filing with the SEC.

## 9. FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements. The statements are based on 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 which could cause actual results to differ materially from those in the forward-looking statements are: changes in LNG transportation, regasification and floating liquefaction 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; changes in the financial stability of clients of the Group; Höegh LNG's ability to win upcoming tenders and to secure employment for the FSRUs on order; changes in Höegh LNG's ability to complete and deliver projects awarded; increases in the Group's cost base; changes in the availability of vessels to purchase; failure by yards to comply with delivery schedules; changes in vessels' useful lives; changes in the ability of Höegh LNG to obtain additional financing; the success in achieving commercial agreements for the projects being developed by the Group; changes in applicable regulation and laws. Unpredictable or unknown factors herein could also have material adverse effects on forward-looking statements.

## APPENDIX 1

| Abbreviation | Definition |
|---|---|
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EBIT | Earnings before interest and tax |
| EGAS | Egyptian Natural gas Holding Company |
| EGP | Egyptian Pounds |
| FSRU | Floating storage and regasification unit |
| HHI | Heavy Hyundai Industries |
| HMLP | Höegh LNG Partners LP |
| LNGC | LNG carrier |
| MLP | Master Limited Partnership |
| MOU | Memorandum of Understanding |
| SEC | Securities Exchange Commission |
| VPS | Norwegian Central Securities Depository |