



# HÖEGH LNG

## INTERIM RESULTS FOR THE QUARTER ENDED 31 MARCH 2018

### Highlights

- EBITDA<sup>1</sup> of USD 38.1 million
- Net profit of USD 13.2 million
- Dividend of USD 0.025 per share paid in the first quarter of 2018
- Höegh Giant commenced three-year time-charter with Gas Natural Fenosa

### Subsequent events

- Dividend of USD 0.025 per share declared in the first quarter of 2018
- Höegh Esperanza delivered on 5 April 2018, and entered spot charter
- Agreed terms for a three-year FSRU/LNGC contract for Höegh Esperanza

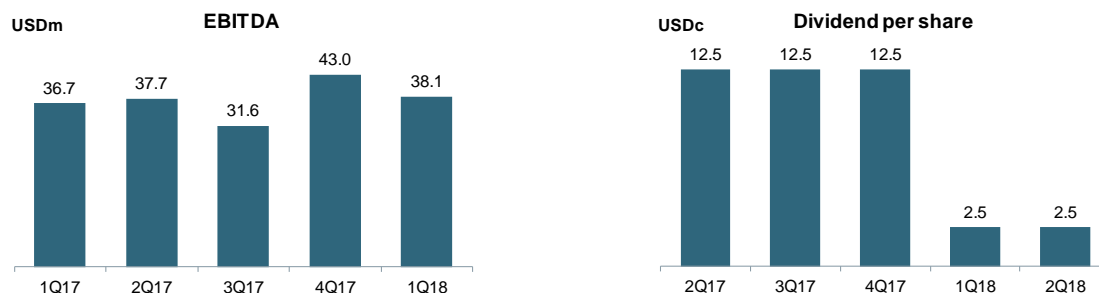
### Eight FSRUs on the water with the delivery of Höegh Esperanza

Höegh LNG recorded another quarter with strong operational results providing its customers with full technical availability and no lost-time injuries, and the best vetting results to date. After the end of the quarter, Höegh LNG took delivery of Höegh Esperanza, its eight FSRU, following a 21-month construction period with flawless HSEQ performance.

Höegh LNG has agreed terms for a three-year time charter for Höegh Esperanza with start-up in mid-2018. The contract will ensure a minimum annual utilisation of the unit in FSRU mode with corresponding rates, while the balance of the year is in LNGC mode.

Höegh LNG's main commercial focus remains to secure long-term employment for the two FSRUs under construction. With a strong technical, commercial and financial platform, Höegh LNG competes for the most attractive floating regasification projects currently in tender stage, and it is pursuing multiple chartering opportunities with the objective of putting contracts in place by the time of delivery of the newbuildings.

### Reported EBITDA and declared dividend per share



<sup>1</sup> Please see definition in Appendix 1.

## Group financial review<sup>2</sup>

Höegh LNG Holdings Ltd. (Höegh LNG Holdings or the company) and its subsidiaries (together Höegh LNG or the group) reported total income of USD 72.3 million for the first quarter of 2018 compared to USD 76.1 million in the fourth quarter of 2017. The reduction is mainly owing to fewer revenue calendar days and less deferred revenue recognition in the quarter (deferred revenue of USD 0.8 million in the first quarter 2018 compared with USD 5.6 million in the fourth quarter 2017) offset by higher revenues for Höegh Giant following the start-up of its three-year LNGC/FSRU time charter with Gas Natural SDG SA (Gas Natural Fenosa) on 7 February 2018.

Results were further affected by 10 days of planned maintenance on Höegh Gallant and positioning expenses for Höegh Giant, resulting in EBITDA of USD 38.1 million for the first quarter of 2018, compared with USD 43.0 million for the previous quarter.

Depreciation was on a par with the fourth quarter at USD 11.3 million. Net financial expenses decreased by USD 1.3 million to USD 12.0 million in the quarter. Net profit was USD 13.2 million, down from USD 20.0 million in the previous quarter, which was enhanced by higher deferred revenue recognition and USD 2.5 million in tax income.

Operating cash flows reached USD 32.6 million in the quarter. This represents a USD 0.4 million increase from the fourth quarter. Other sources comprised USD 25 million in the sale of marketable securities, USD 10.7 million in proceeds from the ATM equity offering in Höegh LNG Partners LP (Höegh LNG Partners), and USD 2.8 million in net other investing and financing items. Uses during the quarter consisted primarily of USD 33.9 million in debt service, USD 3.5 million in investments in FSRUs, and USD 13.2 million in dividend payments which comprised USD 1.9 million paid to shareholders of Höegh LNG Holdings and USD 11.3 million paid to non-controlling interests in Höegh LNG Partners, as well as distributions to holders of preferred equity in Höegh LNG Partners for the fourth quarter of 2017 and the first quarter of 2018. Net cash flows for the quarter were positive at USD 20.5 million, compared with a negative USD 95.6 million for the fourth quarter.

At 31 March 2018, Höegh LNG had USD 226.7 million in current cash and marketable securities (31 December 2017: USD 233.9 million) and net interest-bearing debt of USD 908.5 million (USD 908.1 million). Book equity at 31 March 2018, after adjusting for the mark-to-market of interest rate swaps, was USD 773.9 million (USD 763.1 million), equivalent to an adjusted book equity ratio of 40% (39%).

### Key financial figures

| USD'000                              | 1Q 2018   | 4Q 2017   | 3Q 2017   | 2Q 2017   | 1Q 2017   |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total income                         | 72 290    | 76 052    | 64 049    | 70 589    | 68 659    |
| EBITDA                               | 38 101    | 42 967    | 31 596    | 37 658    | 36 679    |
| EBIT                                 | 26 798    | 31 693    | 20 357    | 26 704    | 27 404    |
| Profit (loss) after tax              | 13 210    | 19 961    | 1 108     | 8 539     | 11 445    |
| Total assets                         | 1 970 437 | 1 959 035 | 1 991 983 | 2 001 957 | 1 842 987 |
| Equity adjusted for hedging reserves | 773 883   | 763 136   | 648 873   | 664 316   | 672 272   |
| Net interest-bearing debt            | (908 532) | (908 081) | (961 875) | (947 153) | (705 489) |
| Equity ratio adjusted for hedging    | 40 %      | 39 %      | 33 %      | 33 %      | 37 %      |

<sup>2</sup> The interim consolidated 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 fourth quarter of 2017.

## Corporate/other activities

### *Status of Höegh LNG Partners ATM equity-raising programme*

On 26 January 2018, Höegh LNG Partners filed a prospectus supplement with the US Securities and Exchange Commission (SEC) in which it announced that it had started an ATM equity-raising programme, which allows it to issue new common units or 8.75% series A cumulative redeemable preferred units from time to time up to a limit of USD 120 million.

As of 31 March 2018, Höegh LNG Partners had received USD 10.7 million in net proceeds under the ATM programme after sales commissions.

### *Financing of FSRU #9*

Höegh LNG has agreed main terms with an export credit agency (ECA) for debt financing of FSRU #9, which are subject to credit approval, and is working with a group of banks to secure the funding of both the commercial and ECA tranches of the facility.

### *Distribution from Höegh LNG Partners*

Höegh LNG Partners declared a quarterly distribution of USD 0.44 per unit for the first quarter on 19 April 2018, corresponding to an annualised distribution of USD 1.76 per unit and representing a 2.3% increase from the fourth quarter of 2017. Höegh LNG Holdings received USD 6.7 million in distributions and USD 0.4 million in IDRs for the first quarter of 2018 on 15 May 2018.

### *Quarterly dividend of USD 0.025 per share*

Höegh LNG Holdings paid a cash dividend of USD 0.025 per share in the first quarter of 2018, equivalent to USD 1.9 million.

The board of directors has declared a dividend of USD 0.025 per share for the second quarter of 2018. Shares will trade ex-dividend on 7 June 2018, and shareholders recorded in the VPS following the close of trading on Oslo Børs on 8 June 2018 will be entitled to the dividend, which will be payable on or around 22 June 2018.

## Business review

### *Overall performance*

All seven FSRUs and two LNG carriers in Höegh LNG's fleet operated in accordance with contracts during the quarter, and the group's technical availability was 100%.

The lost-time injury frequency was zero in the quarter ending 31 March, with no lost-time injuries so far this year.

The FSRUs in operation delivered gas in full accordance with nominations from the charterers during the first quarter.

## Technical availability of fleet and safety performance

|  | YTD 2018 | 2017   | 2016   | 2015    | 2014   |
|--|----------|--------|--------|---------|--------|
| Technical availability                   | 100.0 %  | 99.8 % | 99.9 % | 100.0 % | 99.7 % |
| Lost time injury frequency <sup>1)</sup> | 0.00     | 0.38   | 0.00   | 0.73    | 0.44   |

<sup>1)</sup> Calculated per million exposure hours for seagoing personnel only

### *Delivery of Höegh Esperanza*

Höegh Esperanza was delivered from Hyundai Heavy Industries in South Korea on 5 April 2018. No lost-time injuries were recorded from steel cutting on 27 June 2016 until delivery. Such results are fully in line with Höegh LNG's ambitions for operational excellence, and demonstrate the significant commitment, experience and efforts by Höegh LNG's site team, and the strong collaboration with the shipyard.

The FSRU is fully financed at a fixed interest rate of approximately 4%, with the USD 200 million debt portion expandable to USD 230 million once long-term employment has been secured, as further set out in the stock exchange notice of 24 July 2017.

Höegh Esperanza was subsequently vetted by oil majors for LNG trading and entered a spot charter under which it loaded its maiden cargo on 21 May 2018 at Queensland Curtis LNG in Australia.

### *Terms agreed for a three-year time charter for Höegh Esperanza*

Höegh LNG has agreed terms for a three-year time charter for Höegh Esperanza with start-up in mid-2018. The contract will ensure a minimum annual utilisation of the unit in FSRU mode with corresponding rates, while the balance of the year is in LNGC mode. The agreement is subject to charterer's internal approval processes.

### *Höegh Giant commenced time charter contract with Gas Natural Fenosa*

On 7 February 2018, Höegh Giant commenced its time charter with Gas Natural Fenosa. Since then, Höegh Giant has been trading as an LNG carrier in Gas Natural Fenosa's fleet, where it earns an LNG carrier spot-market-linked day rate. The initial term of the contract is three years, and includes an option for Gas Natural Fenosa to utilise the unit as an FSRU at a pre-defined day rate.

### *Höegh Gallant time charter*

Höegh Gallant is employed on a five-year time charter with Egas in Ain Sokhna, Egypt. In the first quarter of 2018, Egas requested to start a discussion with Höegh LNG over terms for an early termination of the contract, which runs to April 2020. Such an agreement requires Höegh LNG's consent.

### *Business development activity and newbuilding portfolio update*

Höegh LNG's main commercial objective is to secure long-term employment for FSRUs #9 and #10, which are due for delivery in December 2018 and May 2019 respectively. Höegh LNG remains involved in several prospective tendering processes for these units.

The tendering market remains active, and progress has been made with several prospective FSRU projects this year. However, several tenders remain subject to delays and uncertainties owing to political, commercial, technical, financial and/or other factors. This reflects the complexity of FSRU projects, making it difficult to provide firm guidance on the progress and outcome of tendering processes until they are in their final stage.

### *Project execution update*

The revised environmental approval process for the GNL Penco FSRU project in Chile is continuing, with the local authorities now in the process of closing the indigenous consultation and preparing their final recommendation on the project. Since a final approval is yet to be secured, no assurance can be given on the timeline or success of the FSRU project.

As the formal milestones for the Quantum Power/Höegh LNG FSRU project in Ghana had not been met within the agreed timeline, the agreement between Quantum Power and Höegh LNG has expired.

## **Market**

Global LNG trade continues to increase from the record levels reached in 2017. LNG volumes in the first quarter of 2018 were up by 9.6% from the same period of last year, to around 81 million tonnes.

China remains the greatest contributor to demand growth, with imports of 12.8 million tonnes in the first quarter, up 62% from the same period one year ago. Japan, Korea, India and Pakistan also imported more, while countries in the Middle East, North Africa and Europe have scaled back on LNG imports in the first three months of the year relative to the first quarter of 2017.

LNG imports through FSRUs were 13.6% higher in the first quarter than in the same period of 2017. The biggest contributors to this impressive year-on-year growth were Pakistan, which imported 1.1 million tonnes in the first quarter, and China, with 1 million tonnes of LNG imported through Höegh LNG's GDF Suez Cape Ann.

Driven by active spot market participation from Chinese buyers and an extended cold winter, LNG prices reached the highest levels in over three years during February 2018. Although prices have declined since the busy winter season, north-east Asian spot prices are currently forecast by IHS Markit to remain above USD 7 per MMBtu through the summer, mirroring the healthy underlying demand for the fuel.

Since 1 January, Bangladesh has become the 15<sup>th</sup> country to import LNG through an FSRU, and the 36<sup>th</sup> with the capacity to import relatively large volumes of LNG. The country's first FSRU is likely to be followed by a second currently under construction, again demonstrating the cost- and time efficiency of such units compared with land-based regasification facilities. India is also likely to follow Bangladesh as an FSRU-based importer towards the end of the year, when GDF Suez Cape Ann starts operating at the H-Energy LNG import facility in Maharashtra state.

The combination of a further increase in LNG supply and a continued positive trend for demand is the main value driver for FSRUs. Developers in many markets are contemplating installing these units to gain access

to an increasing global supply of LNG, and tendering remains busy, although progress under these processes is subject to many influencing factors.

The FSRU fleet consisted of 28 units at 31 March 2018. Since then, one FSRU, Höegh Esperanza, has been delivered, leaving 11 FSRUs in the order book at May 2018. Three units in the existing fleet appear to be uncommitted, one of which is a first-generation converted LNG carrier, while five to six of the FSRUs under construction appear to be uncommitted. Three of these are not due for delivery until 2021.

## **Outlook**

Höegh LNG's main commercial focus is to secure long-term employment at firm terms for the two uncommitted FSRUs still under construction. The company continues to operate in a tendering market with solid demand for LNG and many business opportunities, especially in Asia. With a well-proven track record in building and operating FSRUs, as well as strong technological experience and capabilities, Höegh LNG continues to compete for the most attractive floating regasification projects.

In the second quarter of 2018 financial results are likely to be positively impacted by more revenue days for Höegh Giant and Höegh Gallant, while commissioning, positioning, depreciation and interest expenses for Höegh Esperanza are likely to offset these positive factors.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

| USD'000 (unaudited)   | Note | 1Q 2018         | 4Q 2017         | 1Q 2017         | YTD 2018        | YTD 2017        |
|---|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Time charter revenues   | 4    | 67 531          | 71 334          | 64 515          | 67 531          | 64 515          |
| Management and other income   | 5    | 771             | 1 108           | 710             | 771             | 710             |
| Share of results from investments in joint ventures                     |      | 3 988           | 3 610           | 3 434           | 3 988           | 3 434           |
| <b>Total income</b>   |      | <b>72 290</b>   | <b>76 052</b>   | <b>68 659</b>   | <b>72 290</b>   | <b>68 659</b>   |
| Charterhire expenses  |      | (8 712)         | (8 947)         | (8 752)         | (8 712)         | (8 752)         |
| Bunker and other voyage related expenses                                |      | (1 125)         | (16)            | (92)            | (1 125)         | (92)            |
| Operating expenses  |      | (13 122)        | (13 502)        | (11 744)        | (13 122)        | (11 744)        |
| Project administrative expenses   |      | (4 360)         | (3 972)         | (4 316)         | (4 360)         | (4 316)         |
| Group administrative expenses   |      | (5 275)         | (4 766)         | (5 153)         | (5 275)         | (5 153)         |
| Business development expenses   |      | (1 595)         | (1 882)         | (1 923)         | (1 595)         | (1 923)         |
| <b>Operating profit (loss) before depreciation and impairment</b>       | 4    | <b>38 101</b>   | <b>42 967</b>   | <b>36 679</b>   | <b>38 101</b>   | <b>36 679</b>   |
| Depreciation  |      | (11 303)        | (11 274)        | (9 275)         | (11 303)        | (9 275)         |
| Impairment/reversal of impairment                                       |      | -               | -               | -               | -               | -               |
| <b>Operating profit (loss) after depreciation and impairment</b>        |      | <b>26 798</b>   | <b>31 693</b>   | <b>27 404</b>   | <b>26 798</b>   | <b>27 404</b>   |
| Interest income   |      | 472             | 606             | 366             | 472             | 366             |
| Interest expenses   |      | (12 510)        | (13 929)        | (13 811)        | (12 510)        | (13 811)        |
| Income from other financial items                                       |      | 1 020           | 1 091           | 887             | 1 020           | 887             |
| Expenses from other financial items                                     |      | (501)           | (1 062)         | (1 484)         | (501)           | (1 484)         |
| <b>Net financial items</b>  |      | <b>(11 519)</b> | <b>(13 294)</b> | <b>(14 042)</b> | <b>(11 519)</b> | <b>(14 042)</b> |
| <b>Ordinary profit or (loss) before tax</b>                             |      | <b>15 279</b>   | <b>18 399</b>   | <b>13 362</b>   | <b>15 279</b>   | <b>13 362</b>   |
| Income taxes  |      | (2 069)         | 1 562           | (1 917)         | (2 069)         | (1 917)         |
| <b>Profit (loss) for the period</b>                                     |      | <b>13 210</b>   | <b>19 961</b>   | <b>11 445</b>   | <b>13 210</b>   | <b>11 445</b>   |
| <b>Profit (loss) for the period attributable to (from):</b>             |      |                 |                 |                 |                 |                 |
| Equity holders of the parent  |      | 2 305           | 7 965           | 5 782           | 2 305           | 5 782           |
| Non-controlling interests   |      | 10 905          | 11 996          | 5 663           | 10 905          | 5 663           |
| <b>Total</b>  |      | <b>13 210</b>   | <b>19 961</b>   | <b>11 445</b>   | <b>13 210</b>   | <b>11 445</b>   |
| <b>Earnings per share attributable to equity holders of the parent:</b> |      |                 |                 |                 |                 |                 |
| Basic and diluted earnings per share                                    |      | 0.03            | 0.10            | 0.07            | 0.03            | 0.07            |

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| USD'000 (unaudited)  | 1Q 2018       | 4Q 2017       | 1Q 2017       | YTD 2018      | YTD 2017      |
|--|---------------|---------------|---------------|---------------|---------------|
| Profit (loss) for the period   | 13 210        | 19 961        | 11 445        | 13 210        | 11 445        |
| <b>Items that will not be reclassified to profit or loss</b>         |               |               |               |               |               |
| Net gain (loss) on other capital reserves                            | -             | (50)          | -             | -             | -             |
| <b>Items that may be subsequently reclassified to profit or loss</b> |               |               |               |               |               |
| Net gain (loss) on hedging reserves                                  | 17 731        | 9 887         | (1 569)       | 17 731        | (1 569)       |
| Share of other comprehensive income from joint ventures              | 9 645         | 5 465         | 3 691         | 9 645         | 3 691         |
| <b>Other comprehensive income (loss) for the period net of tax</b>   | <b>27 376</b> | <b>15 302</b> | <b>2 122</b>  | <b>27 376</b> | <b>2 122</b>  |
| <b>Total comprehensive income (loss)</b>                             | <b>40 586</b> | <b>35 263</b> | <b>13 567</b> | <b>40 586</b> | <b>13 567</b> |
| <b>Total comprehensive income attributable to (from):</b>            |               |               |               |               |               |
| Equity holders of the parent   | 23 899        | 19 795        | 5 812         | 23 899        | 5 812         |
| Non-controlling interests  | 16 687        | 15 468        | 7 755         | 16 687        | 7 755         |
| <b>Total comprehensive income (loss)</b>                             | <b>40 586</b> | <b>35 263</b> | <b>13 567</b> | <b>40 586</b> | <b>13 567</b> |

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Note | 31 Mar 2018<br>(unaudited) | 31 Dec 2017<br>(audited) |
|--|------|----------------------------|--------------------------|
| <b>ASSETS</b>  |      |                            |                          |
| <b>Non-current assets</b>                                  |      |                            |                          |
| Deferred tax assets  |      | 522                        | 528                      |
| Vessels and depot spares                                   |      | 1 375 382                  | 1 386 132                |
| Newbuildings under construction                            |      | 241 232                    | 232 998                  |
| Other non-current financial assets                         |      | 43 014                     | 25 795                   |
| Other non-current assets                                   |      | 22 710                     | 22 871                   |
| Shareholder loans  |      | 3 334                      | 3 263                    |
| Restricted cash  |      | 13 556                     | 13 640                   |
| <b>Total non-current assets</b>                            |      | <b>1 699 750</b>           | <b>1 685 227</b>         |
| <b>Current assets</b>                                      |      |                            |                          |
| Bunkers and inventories                                    |      | 811                        | 783                      |
| Trade and other receivables                                |      | 36 062                     | 37 697                   |
| Shareholder loans  |      | -                          | -                        |
| Marketable securities                                      |      | 49 378                     | 74 022                   |
| Other current financial assets                             |      | 7 160                      | 1 390                    |
| Restricted cash  |      | 3 873                      | 6 976                    |
| Cash and cash equivalents                                  |      | 173 403                    | 152 940                  |
| <b>Total current assets</b>                                |      | <b>270 687</b>             | <b>273 808</b>           |
| <b>Total assets</b>  |      | <b>1 970 437</b>           | <b>1 959 035</b>         |
| <b>EQUITY AND LIABILITIES</b>                              |      |                            |                          |
| <b>Equity</b>  |      |                            |                          |
| Share capital  |      | 772                        | 772                      |
| Other paid-in capital                                      |      | 552 548                    | 552 333                  |
| Capital reserves   |      | (13 545)                   | (35 139)                 |
| Retained earnings  |      | (38 082)                   | (38 486)                 |
| <b>Equity attributable to equity holders of the parent</b> |      | <b>501 693</b>             | <b>479 480</b>           |
| Non-controlling interests                                  |      | 241 838                    | 225 758                  |
| <b>Total equity</b>  |      | <b>743 531</b>             | <b>705 238</b>           |
| <b>Non-current liabilities</b>                             |      |                            |                          |
| Deferred tax liability                                     |      | 9 608                      | 8 301                    |
| Non-current interest-bearing debt                          | 6    | 1 075 329                  | 1 082 246                |
| Investments in joint ventures                              |      | 21 526                     | 35 159                   |
| Other non-current financial liabilities                    |      | 5 582                      | 9 165                    |
| Deferred revenue   |      | 3 456                      | 3 921                    |
| <b>Total non-current liabilities</b>                       |      | <b>1 115 501</b>           | <b>1 138 792</b>         |
| <b>Current liabilities</b>                                 |      |                            |                          |
| Current interest-bearing debt                              | 6    | 73 413                     | 73 413                   |
| Income tax payable   |      | 2 119                      | 1 932                    |
| Trade and other payables                                   |      | 15 024                     | 14 714                   |
| Other current financial liabilities                        |      | 5 949                      | 8 465                    |
| Other current liabilities                                  |      | 14 900                     | 16 481                   |
| <b>Total current liabilities</b>                           |      | <b>111 405</b>             | <b>115 005</b>           |
| <b>Total equity and liabilities</b>                        |      | <b>1 970 437</b>           | <b>1 959 035</b>         |

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| USD'000 (unaudited)  | 1Q 2018         | 4Q 2017         | 1Q 2017          | YTD 2018        | YTD 2017         |
|--|-----------------|-----------------|------------------|-----------------|------------------|
| <b>Cash flow from operating activities</b>                             |                 |                 |                  |                 |                  |
| Profit (loss) before tax for the period                                | 15 280          | 18 399          | 13 362           | 15 280          | 13 362           |
| <i>Adjustments to reconcile profit before tax to net cash flows</i>    |                 |                 |                  |                 |                  |
| Depreciation   | 11 303          | 11 274          | 9 275            | 11 303          | 9 275            |
| Impairment (reversal of impairment)                                    | -               | -               | -                | -               | -                |
| Fair value adjustments on marketable securities                        | (356)           | (471)           | (860)            | (356)           | (860)            |
| Interest income  | (386)           | (462)           | (366)            | (386)           | (366)            |
| Interest expenses  | 12 510          | 13 929          | 13 810           | 12 510          | 13 810           |
| Net loss (income) on interest rate hedges                              | (664)           | (510)           | 26               | (664)           | 26               |
| Currency loss on restricted cash balances                              | -               | -               | -                | -               | -                |
| Share-based payment cost and Board remuneration not paid-out           | 242             | 525             | 497              | 242             | 497              |
| Share of results from investments in joint ventures                    | (3 988)         | (3 610)         | (3 434)          | (3 988)         | (3 434)          |
| <i>Working capital adjustments</i>                                     |                 |                 |                  |                 |                  |
| Change in inventories, receivables and payables                        | (728)           | (6 267)         | (4 542)          | (728)           | (4 542)          |
| Dividend received from joint ventures                                  | -               | -               | -                | -               | -                |
| Payment of income tax  | (622)           | (633)           | 69               | (622)           | 69               |
| <b>i) Net cash flow from operating activities</b>                      | <b>32 591</b>   | <b>32 174</b>   | <b>27 836</b>    | <b>32 591</b>   | <b>27 836</b>    |
| <b>Cash flow from investing activities</b>                             |                 |                 |                  |                 |                  |
| Investment in marketable securities                                    | -               | (50 000)        | (105 111)        | -               | (105 111)        |
| Proceeds from sale of marketable securities                            | 25 000          | -               | 30 000           | 25 000          | 30 000           |
| Investments in FSRUs, drydocking and newbuildings                      | (3 458)         | (26 276)        | (111 039)        | (3 458)         | (111 039)        |
| Net proceeds from sale of vessels                                      | -               | -               | -                | -               | -                |
| Investment in intangibles, equipment and other                         | (768)           | (614)           | (384)            | (768)           | (384)            |
| Interest received  | 386             | 462             | 403              | 386             | 403              |
| Repayment of shareholder loans   | (71)            | (65)            | 1 198            | (71)            | 1 198            |
| <b>ii) Net cash flow from investing activities</b>                     | <b>21 089</b>   | <b>(76 494)</b> | <b>(184 933)</b> | <b>21 089</b>   | <b>(184 933)</b> |
| <b>Financing activities</b>  |                 |                 |                  |                 |                  |
| Gross proceeds from equity issuance                                    | 10 895          | 115 000         | -                | 10 895          | -                |
| Transaction costs on equity issuance                                   | (181)           | (4 076)         | -                | (181)           | -                |
| Purchase of own shares   | -               | -               | -                | -               | -                |
| Dividend paid to non-controlling interest (HMLP)                       | (11 347)        | (7 589)         | (7 276)          | (11 347)        | (7 276)          |
| Dividend paid to shareholders of the parent                            | (1 901)         | (9 504)         | (9 503)          | (1 901)         | (9 503)          |
| Proceeds from borrowings   | -               | -               | 176 960          | -               | 176 960          |
| Payment of debt issuance costs   | -               | (2 758)         | (1 928)          | -               | (1 928)          |
| Repayment of borrowings  | (18 353)        | (130 371)       | (27 202)         | (18 353)        | (27 202)         |
| Interest paid  | (15 516)        | (18 226)        | (13 774)         | (15 516)        | (13 774)         |
| Settlement of currency swaps   | -               | -               | (8 403)          | -               | (8 403)          |
| (Increase) decrease in restricted cash                                 | 3 187           | 6 233           | 3 277            | 3 187           | 3 277            |
| <b>iii) Net cash flow from financing activities</b>                    | <b>(33 216)</b> | <b>(51 292)</b> | <b>112 152</b>   | <b>(33 216)</b> | <b>112 152</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents (i+ii+iii)</b> | <b>20 464</b>   | <b>(95 612)</b> | <b>(44 945)</b>  | <b>20 464</b>   | <b>(44 945)</b>  |
| Current cash and cash equivalents at the beginning of the period       | 152 940         | 248 553         | 186 346          | 152 940         | 186 346          |
| Current cash and cash equivalents at the end of the period             | 173 404         | 152 940         | 141 401          | 173 404         | 141 401          |



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

| USD'000 (unaudited)   | Attributable to equity holders of Höegh LNG Holdings Ltd. |                |                 |                       |                 |                        |                   |                | Non-controlling interests | Total equity   |
|---|---|----------------|-----------------|-----------------------|-----------------|------------------------|-------------------|----------------|---------------------------|----------------|
|   | Issued capital  | Share premium  | Treasury shares | Other paid-in capital | Hedging reserve | Other capital reserves | Retained earnings | Total          |                           |                |
| <b>At 1 January 2018</b>                                      | <b>772</b>  | <b>446 945</b> | <b>(12)</b>     | <b>105 400</b>        | <b>(32 345)</b> | <b>(2 794)</b>         | <b>(38 486)</b>   | <b>479 480</b> | <b>225 758</b>            | <b>705 238</b> |
| Profit (loss) for the period                                  |   |                |                 |                       |                 |                        | 2 305             | 2 305          | 10 905                    | 13 211         |
| Other comprehensive income                                    |   |                |                 |                       | 21 594          |                        |                   | 21 594         | 5 782                     | 27 376         |
| <b>Total comprehensive income</b>                             | <b>-</b>  | <b>-</b>       | <b>-</b>        | <b>-</b>              | <b>21 594</b>   | <b>-</b>               | <b>2 305</b>      | <b>23 899</b>  | <b>16 687</b>             | <b>40 586</b>  |
| Capital contribution to HMLP                                  |   |                |                 |                       |                 |                        |                   |                |                           | -              |
| MLP dividend to non-controlling interests                     |   |                |                 |                       |                 |                        |                   |                | (11 347)                  | (11 347)       |
| Sale of subsidiaries to MLP                                   |   |                |                 |                       |                 |                        |                   |                |                           | -              |
| Net proceeds from issuance of common units                    |   |                |                 |                       |                 |                        |                   |                | 2 778                     | 2 778          |
| Net proceeds from issuance of Series A Preferred Units        |   |                |                 |                       |                 |                        |                   |                | 7 935                     | 7 935          |
| Purchase of treasury shares                                   |   |                |                 |                       |                 |                        |                   |                |                           | -              |
| Units granted to the board of HMLP                            |   |                |                 |                       |                 |                        |                   |                |                           | -              |
| Dividend to shareholders of the parent                        |   |                |                 |                       |                 |                        | (1 901)           | (1 901)        |                           | (1 901)        |
| Share-based payment cash settled                              |   |                |                 |                       |                 |                        |                   |                |                           | -              |
| Share-based payment costs                                     |   |                |                 | 215                   |                 |                        |                   | 215            | 27                        | 242            |
| <b>Total other transactions recognised directly in equity</b> | <b>-</b>  | <b>-</b>       | <b>-</b>        | <b>215</b>            | <b>-</b>        | <b>-</b>               | <b>(1 901)</b>    | <b>(1 686)</b> | <b>(607)</b>              | <b>(2 293)</b> |
| <b>At 31 March 2018</b>                                       | <b>772</b>  | <b>446 945</b> | <b>(12)</b>     | <b>105 615</b>        | <b>(10 751)</b> | <b>(2 794)</b>         | <b>(38 082)</b>   | <b>501 693</b> | <b>241 838</b>            | <b>743 531</b> |

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

| USD'000 (unaudited)   | Attributable to equity holders of Höegh LNG Holdings Ltd. |                |                 |                       |                 |                        |                   |                | Non-controlling interests | Total equity    |
|---|---|----------------|-----------------|-----------------------|-----------------|------------------------|-------------------|----------------|---------------------------|-----------------|
|   | Issued capital  | Share premium  | Treasury shares | Other paid-in capital | Hedging reserve | Other capital reserves | Retained earnings | Total          |                           |                 |
| <b>At 1 January 2017</b>                                      | <b>769</b>  | <b>445 078</b> | <b>(12)</b>     | <b>105 593</b>        | <b>(51 059)</b> | <b>(2 794)</b>         | <b>(51 599)</b>   | <b>445 976</b> | <b>150 087</b>            | <b>596 063</b>  |
| Profit (loss) for the period                                  |   |                |                 |                       |                 |                        | 5 782             | 5 782          | 5 663                     | 11 445          |
| Other comprehensive income                                    |   |                |                 |                       | 30              |                        |                   | 30             | 2 092                     | 2 122           |
| <b>Total comprehensive income</b>                             | <b>-</b>  | <b>-</b>       | <b>-</b>        | <b>-</b>              | <b>30</b>       | <b>-</b>               | <b>5 782</b>      | <b>5 812</b>   | <b>7 755</b>              | <b>13 567</b>   |
| Capital contribution to HMLP                                  |   |                |                 |                       |                 |                        | (216)             | (216)          | 216                       | -               |
| MLP dividend to non-controlling interests                     |   |                |                 |                       |                 |                        |                   |                | (7 276)                   | (7 276)         |
| Sale of subsidiaries to MLP                                   |   |                |                 |                       | 1 227           |                        | 17 615            | 18 842         | (18 842)                  | -               |
| Issuance of redeemable preferred units in HMLP                |   |                |                 |                       |                 |                        |                   |                |                           | -               |
| Net proceeds of equity issuance                               | 3   | 1 886          |                 | (1 889)               |                 |                        |                   | -              |                           | -               |
| Purchase of treasury shares                                   |   |                |                 |                       |                 |                        |                   |                |                           | -               |
| Units granted to the board of HMLP                            |   |                |                 |                       |                 |                        |                   |                |                           | -               |
| Dividend to shareholders of the parent                        |   |                |                 |                       |                 |                        | (9 503)           | (9 503)        |                           | (9 503)         |
| Share-based payment cash settled                              |   |                |                 | (15)                  |                 |                        |                   | (15)           |                           | (15)            |
| Share-based payment costs                                     |   |                |                 | 428                   |                 |                        |                   | 428            | 84                        | 512             |
| <b>Total other transactions recognised directly in equity</b> | <b>3</b>  | <b>1 886</b>   | <b>-</b>        | <b>(1 476)</b>        | <b>1 227</b>    | <b>-</b>               | <b>7 896</b>      | <b>9 536</b>   | <b>(25 818)</b>           | <b>(16 282)</b> |
| <b>At 31 March 2017</b>                                       | <b>772</b>  | <b>446 964</b> | <b>(12)</b>     | <b>104 117</b>        | <b>(49 802)</b> | <b>(2 794)</b>         | <b>(37 921)</b>   | <b>461 324</b> | <b>132 024</b>            | <b>593 348</b>  |

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The parent company, Höegh LNG Holdings Ltd. (Höegh LNG Holdings or 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 in Note 4 – Segment information. The interim financial statements were approved by the board of directors of Höegh LNG Holdings on 30 May 2018.

The weighted average number of issued shares for the quarter ended 31 March 2018 was 77 244 746. The company holds 1 211 738 shares as treasury shares.

### 2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ended 31 March 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. 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 at 31 December 2017. The information concerning hedging reserves previously presented in separate note to the interim financial statements is with effect from the current quarter summarized in Appendix 1 – Alternative Performance Measures. The consolidated financial statements are presented in USD and all values are rounded to the nearest USD 1,000 unless otherwise indicated. As a result of rounding adjustments, amounts and percentages may not add up to the total.

Höegh LNG Holdings implemented IFRS 15 at 1 January 2018. The new standard has been implemented using the modified retrospective approach. The cumulative effect of initially applying the standard recorded to equity was assessed to be nil. Consequently, the new standard only affected the note disclosures. IFRS 15 requires the company for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent that the contract covers more than one performance obligation, determine whether revenue should be recognised over time or at a point in time and recognise revenue when or as performance obligations are recognised. Höegh LNG Holdings contracts typically qualifying for recognition over time. The nature of the group's revenues from contracts with its customers is categorised in two groups, the leasing element of the vessel and the service element related to the leased vessel. See Note 4 for further information.

IFRS 9 Financial Instruments will be applied retrospectively. IFRS 9 will not lead to any significant changes in the timing of recognition or in the way assets or liabilities and related income and expenses are measured. The accounting documentation of hedges is impacted by the new standard and will be updated accordingly.

The group has also made a preliminary assessment of the effect of the new IFRS 16 Leases standard, which take effect from 1 January 2019. The impact is expected to be an increase in recognised tangible assets and debt, with a corresponding shift of certain amounts from bareboat expenses, partly to depreciation and partly to interest expenses.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of interim financial statements in accordance with the IFRS implies the use of estimates, based on judgements and assumptions which affect the application of accounting principles and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts might differ from such estimates.

#### Significant accounting judgements

At 31 March 2018, the company held 46.1% of the units in Höegh LNG Partners LP. Höegh LNG Partners LP is consolidated on the basis of management's assessment that Höegh LNG Holdings has de facto control of Höegh LNG Partners LP even though it has less than 50% of the voting rights. Management's assessment is based on a combination of several factors, with the current composition of the board of directors of HMLP as an important element in the overall conclusion. See Note 20, Investments in joint ventures and subsidiaries, in the annual consolidated financial statements for 2017 for a more detailed description.

#### Significant estimates and assumptions

Benefits from uncertain tax positions are recognised when it is probable that a tax position will be sustained by an examination based on the technical merits of the position.

## Contingent liabilities

Höegh LNG is an international company which, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates in.

Under the Neptune and the GDF Suez Cape Ann time charters, the joint ventures undertake to ensure that the vessels meet specified performance standards at all times during the term of the time charters. The performance standards include the vessels not exceeding a maximum average daily boil-off of LNG, subject to certain contractual exclusions, as specified in the time charter. Pursuant to the charters, the hire rate is subject to deduction by the charterer of, among other things, sums due in respect of the joint ventures' failure to satisfy the specified performance standards during the period. The charterer has requested that the joint ventures calculate and present the boil-off since the commencement of the charters compared with the maximum average daily boil-off allowed under the time charters. The charters for the Neptune and GDF Suez Cape Ann commenced in 2009 and 2010 respectively. On 8 September 2017, the charterer notified the joint ventures that it was formally making a claim for compensation in accordance with the provisions of the charters for a stated quantity of LNG exceeding the maximum average daily boil-off since the commencement of the charters. The claim asserted a gross amount of compensation of USD 58 million for the excess boil-off volume, but recognised that the calculations for the amount required adjustment for allowable exclusions under the charters. The charterer has referred the claim to arbitration. The charterer's revised claim, as submitted in the arbitration request, was a gross amount of USD 52 million, covering a first performance period as defined in the time charter only, as well as interest and expenses. Depending on interpretations of the contractual provisions including exclusions to the performance standards and based on currently available information, it is estimated that Höegh LNG's 50% share of the excess boil-off claim could range from zero or negligible amounts to approximately USD 29 million based on a gross claim of USD 58 million. Provisions are recorded for loss contingencies or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. At 30 September 2017, the joint ventures determined that the liability associated with the boil-off claim was probable and could be reasonably estimated, resulting in a total provision of USD 23.7 million which was recorded as a reduction of time charter revenues in the third quarter of 2017. Höegh LNG's 50% share of the accrual was approximately USD 11.9 million. The provision was maintained unchanged at 31 March 2018. The claim may ultimately be settled through negotiation or arbitration. The joint ventures will continue to monitor this issue and adjust the provisions as might be necessary on the basis of additional information and further developments. Höegh LNG and the other major owner guarantee the performance and payment obligations of the joint ventures under the time charters. The guarantees are joint and several for the performance obligations and several for the payment obligations. To the extent that an excess boil-off claim results in a settlement or arbitration award, Höegh LNG will indemnify HMLP for its share of the cash impact of any settlement.

In 2002, two UK tax lease agreements were entered into for Arctic Princess and Arctic Lady respectively between two UK lessors and the Joint Gas Ltd and Joint Gas Two Ltd joint venture companies as lessees. The vessels were delivered in 2006 and the lease agreements are for 25 years from delivery. Her Majesty's Revenue and Customs (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one case, which was decided in the autumn of 2015 in favour of HMRC. In the event of a formal challenge by HMRC regarding the lessors' right to claim capital allowances, this would lead to higher rental payments to the UK vessel lessors, which would have a negative effect on the earnings of the lessee companies and consequently on Höegh LNG. Leif Höegh (UK) Ltd, as managing owner and operator of the vessels, has been in dialogue with HMRC on this matter since 2005 and has presented the factual background to and the business rationale for entering into the lease agreements back in 2002. See Note 20, Commitments and guarantees (Arctic Vessels), in the annual consolidated financial statements for 2017 for a more detailed description.

## 4. SEGMENT INFORMATION

Höegh LNG's current segment structure was implemented at 1 January 2017. The group's activities are focused on four operating segments, namely HMLP, Operations, Business development and project execution and Corporate and other. The segment structure is in line with the way the group's operations are managed and monitored internally. Assets and liabilities allocated to the individual segments include vessels, newbuildings, interest-bearing debt and intangible assets. Other assets and liabilities are followed up on a consolidated level.

The segment reporting is based on the same principles as the internal reporting. Any internal revenues or expenses are presented net.

## HMLP

The segment includes the activities in Höegh LNG Partners LP, which is a limited partnership listed on the New York Stock Exchange. The partnership has been formed to own, operate and acquire FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. Höegh LNG Partners' fleet comprises ownership interests in five FSRUs, namely (i) a 50% interest in Neptune, (ii) a 50% interest in GDF Suez Cape Ann, (iii) a 100% interest in PGN FSRU Lampung, (iv) a 100% interest in Höegh Gallant and (v) a 100% interest in Höegh Grace.

## Operations

The segment is responsible for the commercial and technical management of the group's operational FSRUs and LNGCs which have not been transferred to Höegh LNG Partners. It includes the FSRUs Independence and Höegh Giant and the LNGCs Arctic Princess and Arctic Lady. The segment comprises all revenues and expenses related to FSRUs and LNGCs in operation as well as bareboat hire for Arctic Princess and Arctic Lady and management income for commercial management services paid by joint ventures. FSRUs are included in the Operations segment on delivery from the yard.

## Business development and project execution

The segment comprises all activities related to business development and project execution, including non-capital expenditure related to newbuildings.

Expenses relating to new FSRU and LNGC contracts are included until delivery to the charterer and the pre-commencement phase of the commercial contracts. Capitalised costs in the segment relate to the FSRU newbuilding programme.

## Corporate and other

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

### OPERATING INCOME AND OPERATING EXPENSES PER SEGMENT

| (USD million)                            | Business    |             |             |             |                                   |              |                     |              |             |             |
|--|-------------|-------------|-------------|-------------|-----------------------------------|--------------|---------------------|--------------|-------------|-------------|
|  | HMLP        |             | Operations  |             | development and project execution |              | Corporate and other |              | Total       |             |
|  | Q1 2018     | Q1 2017     | Q1 2018     | Q1 2017     | Q1 2018                           | Q1 2017      | Q1 2018             | Q1 2017      | Q1 2018     | Q1 2017     |
| Time charter revenues                    | 36.7        | 36.9        | 30.9        | 27.6        | -                                 | -            | -                   | -            | 67.5        | 64.5        |
| Management and other income              | 0.4         | -           | 0.4         | 0.7         | -                                 | -            | -                   | -            | 0.8         | 0.7         |
| Share of results from investments in JVs | 2.7         | 2.2         | 1.2         | 1.2         | -                                 | -            | -                   | -            | 4.0         | 3.4         |
| <b>Total income</b>                      | <b>39.8</b> | <b>39.1</b> | <b>32.5</b> | <b>29.5</b> | <b>-</b>                          | <b>-</b>     | <b>-</b>            | <b>-</b>     | <b>72.3</b> | <b>68.7</b> |
| Charterhire expenses                     | -           | -           | (8.7)       | (8.8)       | -                                 | -            | -                   | -            | (8.7)       | (8.8)       |
| Bunker and other voyage related expenses | -           | (0.1)       | (1.1)       | -           | -                                 | -            | -                   | -            | (1.1)       | (0.1)       |
| Operating expenses                       | (5.7)       | (6.2)       | (7.1)       | (5.2)       | (0.3)                             | (0.4)        | -                   | -            | (13.1)      | (11.8)      |
| Project administrative expenses          | (1.1)       | (1.0)       | (2.1)       | (1.8)       | (1.2)                             | (1.5)        | -                   | -            | (4.4)       | (4.3)       |
| Group administrative expenses            | (2.0)       | (1.6)       | -           | -           | -                                 | -            | (3.3)               | (3.5)        | (5.3)       | (5.1)       |
| Business development expenses            | -           | -           | -           | -           | (1.6)                             | (1.9)        | -                   | -            | (1.6)       | (1.9)       |
| <b>EBITDA</b>                            | <b>31.0</b> | <b>30.2</b> | <b>13.5</b> | <b>13.7</b> | <b>(3.1)</b>                      | <b>(3.8)</b> | <b>(3.3)</b>        | <b>(3.5)</b> | <b>38.1</b> | <b>36.7</b> |

### ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS AT 31 MARCH

| (USD million)            | Business |      |            |      |                                   |      |                     |      |       |       |
|--------------------------|----------|------|------------|------|-----------------------------------|------|---------------------|------|-------|-------|
|                          | HMLP     |      | Operations |      | development and project execution |      | Corporate and other |      | Total |       |
|                          | 2018     | 2017 | 2018       | 2017 | 2018                              | 2017 | 2018                | 2017 | 2018  | 2017  |
| <b>Tangible assets</b>   |          |      |            |      |                                   |      |                     |      |       |       |
| Vessels and newbuildings | 820      | 844  | 555        | 287  | 241                               | 243  | -                   | -    | 1 616 | 1 374 |
| <b>Liabilities</b>       |          |      |            |      |                                   |      |                     |      |       |       |
| Interest-bearing debt    | 465      | 508  | 362        | 197  | -                                 | -    | 321                 | 379  | 1 148 | 1 084 |

## IFRS 15 Revenue from contracts with customers

The Höegh LNG group has determined that its time charter contracts contain a lease and a performance obligation for the provision of time charter services. The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with the provisions of IAS 17 Leases. Revenues for time charter services are recognised in accordance with IFRS 15. The group presents its revenue by segment, disaggregated by revenue recognised in accordance with accounting standard on leasing and on revenue from contracts with customers for time charter services. In addition, material elements where the nature, amount, timing and uncertainty of revenue and cash flows differ from the monthly invoicing under time charter contracts are separately presented. The LNGCs' time charter contracts include provisions for the charterer to make upfront payments to compensate for variable costs for drydocking costs. Such upfront payments are deferred and amortised over the shorter of the remaining charter period or the useful life of the additions. As a result, the timing of cash flows differs from monthly time charter invoicing. Similar items included in operating expenses, also with no cash flow impact.

### DISAGGREGATION BY NATURE OF TIME CHARTER REVENUES BY SEGMENT

| (USD million)                                    | Business    |             |             |             |                                   |         |                     |         |             |             |
|--|-------------|-------------|-------------|-------------|-----------------------------------|---------|---------------------|---------|-------------|-------------|
|  | HMLP        |             | Operations  |             | development and project execution |         | Corporate and other |         | Total       |             |
|  | Q1 2018     | Q1 2017     | Q1 2018     | Q1 2017     | Q1 2018                           | Q1 2017 | Q1 2018             | Q1 2017 | Q1 2018     | Q1 2017     |
| Lease revenues                                   | 23.3        | 23.9        | 20.9        | 19.0        | -                                 | -       | -                   | -       | 44.2        | 42.9        |
| Time charter service revenues                    | 13.4        | 13.0        | 9.5         | 8.1         | -                                 | -       | -                   | -       | 22.8        | 21.1        |
| Amortisation of deferred revenue for dry-docking | 0.0         | 0.0         | 0.5         | 0.5         | -                                 | -       | -                   | -       | 0.5         | 0.5         |
| <b>Total time charter revenues</b>               | <b>36.7</b> | <b>36.9</b> | <b>30.9</b> | <b>27.6</b> | -                                 | -       | -                   | -       | <b>67.5</b> | <b>64.5</b> |

The group's FSRUs and LNGCs operate on long-term contracts, where the charterer controls the choice of locations or routes the FSRUs/LNGCs serve, and the economic factors of a geographical region where the vessels are located would not impact revenues due under time charter contracts. Accordingly, disaggregation of revenues by geographical region is not meaningful. The group's risk and exposure related to uncertainty of revenues or cash flows related to its long-term time charter contracts primarily relate to the credit risk associated with the individual charterers. Payments are due under time charter contracts regardless of the demand for the charterers' gas output or the utilization of the vessel.

## 5. 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 0.8 million in the first quarter of 2018 (USD 1.1 million in the fourth quarter). For a more detailed description of recurring related-party transactions, see information disclosed in Note 31 of the 2017 annual report.

## 6. COMMITMENTS AND FINANCING

Höegh LNG has entered into FSRU shipbuilding contracts with Hyundai Heavy Industries Co for Höegh Esperanza and FSRU #9, with delivery in April and December 2018 respectively, and with Samsung Heavy Industries for FSRU #10 with delivery in May 2019. At 31 March 2018, total remaining capital expenditures relating to these commitments were approximately USD 625 million, including yard payments, project expenses, finance costs and contingencies. USD 445 million of this is payable by December 2018, with the remainder falling due by the second quarter of 2019. Since the end of the first quarter, Höegh Esperanza has been delivered, reducing yard payments due in 2018 by USD 205 million.

Total available liquidity at 31 March 2018 was USD 427 million, which includes USD 227 million in current cash and marketable securities and USD 200 million of USD 230 million in commitments under the debt financing facility for Höegh Esperanza. When conditions relating to long-term employment of Höegh Giant and Höegh Esperanza are met, the available amount under the respective financing facilities may be increased by up to USD 29 million and USD 30 million respectively. Höegh LNG has agreed main terms with an export credit agency (ECA) for the debt financing of FSRU #9, which are subject to credit approval, and is working with a group of banks to secure the funding of both the commercial and ECA tranches of the facility. Höegh LNG is further in term sheet discussions for the financing of FSRU#10.



**INTEREST-BEARING DEBT 31 MARCH 2018**

|   | HLNG, net of   |                |                  |
|---|----------------|----------------|------------------|
|   | HMLP           | HMLP           | Total            |
| Mortgage debt   | 367 831        | 474 337        | 842 168          |
| Unsecured bond debt   | 322 869        | -              | 322 869          |
| Debt issuance costs   | (7 395)        | (8 900)        | (16 295)         |
| <b>Interest-bearing debt</b>  | <b>683 304</b> | <b>465 438</b> | <b>1 148 742</b> |
| Cash and marketable securities  | 191 231        | 35 423         | 226 654          |
| Long-term restricted cash   | 1              | 13 555         | 13 556           |
| <b>Net interest-bearing debt, equity method</b>                       | <b>492 073</b> | <b>416 459</b> | <b>908 532</b>   |
| Proportionate share of joint venture debt                             | 114 076        | 224 833        | 338 909          |
| Proportionate share of joint venture debt issuance costs              | -              | (263)          | (263)            |
| <b>Proportionate share of joint venture interest-bearing debt</b>     | <b>114 076</b> | <b>224 570</b> | <b>338 646</b>   |
| Proportionate share of joint venture cash and marketable securities   | 12 216         | 9 462          | 21 678           |
| Proportionate share of joint venture long-term restricted cash        | -              | 12 628         | 12 628           |
| <b>Proportionate share of joint venture net interest-bearing debt</b> | <b>101 860</b> | <b>202 480</b> | <b>304 340</b>   |

**DEBT MATURITY PROFILE 31 MARCH 2018**

|  | Due in year 1 | Due in year 2  | Due in year 3  | Due in year 4  | Due in year 5 and later | Total            |
|--|---------------|----------------|----------------|----------------|-------------------------|------------------|
| Independence facility                    | 15 248        | 76 293         | 15 248         | 15 248         | 64 723                  | 186 761          |
| Höegh Grace facility                     | 13 250        | 13 250         | 147 000        | -              | -                       | 173 500          |
| Höegh Gallant facility                   | 13 146        | 137 310        | -              | -              | -                       | 150 456          |
| PGN FSRU Lampung facility                | 19 062        | 19 062         | 19 062         | 28 757         | 64 437                  | 150 381          |
| Höegh Giant facility                     | 12 707        | 12 707         | 12 707         | 142 950        | -                       | 181 070          |
| Bond debt                                | -             | 130 000        | -              | 192 869        | -                       | 322 869          |
| <b>Interest-bearing debt outstanding</b> | <b>73 413</b> | <b>388 622</b> | <b>194 017</b> | <b>379 824</b> | <b>129 161</b>          | <b>1 165 037</b> |
| Debt issuance costs                      |               |                |                |                |                         | (16 295)         |
| <b>Total interest-bearing debt</b>       |               |                |                |                |                         | <b>1 148 742</b> |

**7. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- Dividend of USD 0.025 per share declared in the first quarter of 2018
- Höegh Esperanza delivered on 5 April 2018, and entered spot charter
- Agreed terms for a three-year FSRU/LNGC contract for Höegh Esperanza

**8. FORWARD-LOOKING STATEMENTS**

This interim report contains forward-looking statements. The statements are based on various assumptions, many of which are based in turn on 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 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 – ALTERNATIVE PERFORMANCE MEASURES (APMS)

Höegh LNG's financial information is prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide additional performance measures when this is deemed relevant for the understanding of Höegh LNG's financial performance.

Alternative performance measures are used by Höegh LNG to provide supplemental information to the different users of its external financial reporting. Financial APMs are intended to enhance comparability of the results and to give supplemental information related to measures not within the applicable financial reporting framework, and it is Höegh LNG's experience that these measures are frequently used by equity- and debt investors, analysts and other stakeholders. Management uses these measures internally to drive performance in terms of target setting and as basis for measuring actual financial performance. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the group.

Operational measures such as, but not limited to, volumes, technical availability of vessels/fleet and contract backlog are not defined as financial APMs. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

### Höegh LNG's APMs

- Earnings before interest, depreciation, amortisation and impairments (EBITDA): EBIT adding depreciation, amortisation and impairments. EBITDA is defined as the line item Operating profit before depreciation and impairment in the consolidated statement of income.
- Earnings before interest and tax (EBIT): EBIT is defined as line item Operating profit after depreciation and impairment in the consolidated statement of income.
- Net interest-bearing debt: Non-current and current interest-bearing debt deducted cash, marketable securities and restricted cash (current and non-current).
- Equity adjusted for hedging: Total book equity adjusted for mark-to-market value of financial derivative swaps recorded against equity. Financial derivative swaps consist of interest-rate and cross-currency interest-rate swaps. In the money mark-to-market financial derivative swaps will increase equity, while out of the money mark-to-market financial derivative swaps will reduce equity. Mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures are recorded as part of line item Investment in joint ventures. The computation of equity adjusted for hedging is consistent with the definitions set out in the group's covenants in loan agreements.
- Equity ratio adjusted for hedging: Total book equity (see above) adjusted for hedging reserves divided by total assets adjusted for hedge assets.

#### NET INTEREST-BEARING DEBT

|  | 31 Mar 2018      | 31 Dec 2017      |
|--|------------------|------------------|
| Interest-bearing debt, current and non-current | (1 148 742)      | (1 155 659)      |
| Restricted cash, non-current                   | 13 556           | 13 640           |
| Cash and marketable securities                 | 226 654          | 233 938          |
| <b>NET INTEREST-BEARING DEBT</b>               | <b>(908 532)</b> | <b>(908 081)</b> |

#### EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

|  | 31 Mar 2018    | 31 Dec 2017    |
|--|----------------|----------------|
| Equity   | 743 531        | 705 238        |
| Hedge reserve including non-controlling interest share | 30 352         | 57 898         |
| <b>EQUITY ADJUSTED FOR HEDGING TRANSACTIONS</b>        | <b>773 883</b> | <b>763 136</b> |

#### EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

|   | 31 Mar 2018 | 31 Dec 2017 |
|---|-------------|-------------|
| Total assets  | 1 970 437   | 1 959 035   |
| Hedge assets  | 26 706      | 12 560      |
| Total assets adjusted for hedging transactions        | 1 943 731   | 1 946 475   |
| Equity adjusted for hedging transactions              | 773 883     | 763 136     |
| <b>EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS</b> | <b>40 %</b> | <b>39 %</b> |



## **APPENDIX 2 – ABBREVIATIONS**

| <b>Abbreviation</b>                         | <b>Definition</b>                        |
|---|--|
| ATM   | At-the-market                            |
| FSRU  | Floating storage and regasification unit |
| HHI or Hyundai Heavy Industries             | Hyundai Heavy Industries Co, Ltd         |
| HN  | Hull number                              |
| HOA   | Heads of agreement                       |
| Höegh LNG or the group                      | Höegh LNG Holdings Ltd. and subsidiaries |
| Höegh LNG Partners, HMLP or the partnership | Höegh LNG Partners LP                    |
| IDR   | Incentive distribution rights            |
| LNGC  | LNG carrier                              |
| MLP   | Master Limited Partnership               |
| MoU   | Memorandum of Understanding              |
| NB  | Newbuilding                              |
| Quantum Power                               | Quantum Power Ghana Gas Ltd              |
| SEC   | US Securities and Exchange Commission    |
| SHI or Samsung Heavy Industries             | Samsung Heavy Industries Co, Ltd         |
| The company                                 | Höegh LNG Holdings Ltd.                  |
| VPS   | Norwegian Central Securities Depository  |