



HÖEGH LNG

INTERIM RESULTS FOR THE QUARTER ENDED 31 MARCH 2019

Highlights for the quarter ended 31 March 2019

- EBITDA¹ of USD 55.9 million
- Net profit of USD 4.5 million
- Dividend of USD 0.025 per share paid in the first quarter of 2019

Subsequent events

- Dividend of USD 0.025 per share declared for the second quarter of 2019
- AIE's Port Kembla FSRU project received development consent
- First class renewal survey afloat completed for FSRU Independence
- HMLP issued new common units and series A preferred units in April and May under its ATM programme equal to USD 2.2 million in net proceeds

Fuel for the future

Höegh LNG's financial results for the first quarter of 2019 reflect a full quarter of revenues earned by Höegh Gannet under its interim LNGC charter. The results also reflect that this is the first quarter of Höegh Gallant's new contract terms after all future revenue under the suspension and settlement agreement with Egas was recognised in the fourth quarter of 2018. Furthermore, the first quarter of 2019 includes the effects of implementing the new IFRS 16 – Leases accounting standard.

In accordance with Höegh LNG's vision to be the market leader for floating LNG solutions, class renewal for Independence has been completed afloat. Time out-of-service was minimised to the benefit of its charterer by conducting this survey on-site in Klaipeda without positioning to a dry dock. Through this procedure, Höegh LNG has gained significant experience as a pioneer in conducting renewal surveys afloat. This is not yet an established industry practice, demonstrating the group's leading technical capabilities.

Höegh LNG continues to operate in a market with a positive momentum, driven among other factors by a growing supply of LNG and a widespread desire to connect to global LNG trade to replace more polluting fossil fuels with cleaner-burning and competitively priced natural gas. The group has been selected for three long-term FSRU projects under development and is in the final stage of one other ongoing tender process. All four of these projects are making important progress, not least the two FSRU projects in Australia where Höegh LNG has been selected as the FSRU provider. The environmental benefits of natural gas are widely recognised in this market, making it an important tool in combination with renewables for reducing dependency on coal and oil products and thereby reducing greenhouse gas emissions and improving local air quality.

Reported EBITDA and declared dividend per share



¹ Please see the definition in Appendix 1.

Group financial review²

Höegh LNG Holdings Ltd. (Höegh LNG Holdings or the company) and its subsidiaries (together Höegh LNG or the group) reported total income of USD 84.3 million for the first quarter of 2019, compared with USD 122.3 million in the preceding quarter. The decrease mainly reflects the USD 40.3 million recognition of revenue under the suspension and settlement agreement with Egas in the fourth quarter of 2018. More days in FSRU mode for Höegh Esperanza and a full quarter of revenues under Höegh Gannet's interim LNGC charter contributed to total income in the first quarter of 2019, while lower income under Höegh Giant's spot-market related LNGC charter and certain tax elements booked in the fourth quarter offset these positive factors.

Höegh LNG reported EBITDA of USD 55.9 million for the first quarter, down from USD 81.4 million in the preceding quarter. The decline reflects lower income due to the revenue recognition of the Egas contract in the fourth quarter 2018 as described above. The reclassification of USD 8.7 million in charter hire expenses owing to the implementation of IFRS 16 – Leases as well as lower voyage, operating, administrative and business development expenses, had a positive impact on EBITDA in the quarter. Adjusting for revenue recognition of the Egas settlement and IFRS 16 effects, reported EBITDA in the first quarter increased by USD 5.5 million from USD 50.4 million in the fourth quarter.

Höegh LNG recorded a profit for the first quarter of USD 4.5 million, down from USD 45 million in the previous quarter. The decrease is a result of lower EBITDA due to the Egas adjustment and higher depreciation and interest expenses owing to a combination of the delivery of Höegh Gannet in December 2018 and IFRS 16 effects.

Operating cash flows decreased by USD 2 million to USD 50.2 million in the first quarter. The net reduction was mainly driven by differences in working capital changes between the two quarters, partly offset by the above-mentioned quarter-on-quarter increased EBITDA of USD 5.5 million (excluding the effects of Egas settlement and IFRS 16). Other sources during the quarter comprised USD 320 million in draw-down under the USD 385 million facility refinancing Höegh Gallant and Höegh Grace. Uses during the quarter mainly comprised USD 330.8 million in debt repayment and lease payments, including repayment of USD 303.4 million in outstanding amounts under the previous USD 412 million facility for Höegh Gallant and Höegh Grace, dividends payable and interest expenses. The net increase in cash and cash equivalents was USD 0.4 million during the first quarter.

At 31 March 2019, Höegh LNG held USD 165.4 million in current cash (USD 164.5 million). Net interest-bearing debt increased by USD 212 million to USD 1 463 million (USD 1 251 million), mainly owing to the implementation of IFRS 16 – Leases at 1 January 2019 (See note 7). Total assets and book equity at 31 March 2019, after adjusting for the mark-to-market of interest rate swaps, were USD 2 492 million (USD 2 305 million), and USD 822.4 million (USD 829.7 million), respectively, equivalent to an adjusted book equity ratio of 33% (36%). The increase in total assets primarily reflects the recognition of USD 215 million in right-of-use assets following from the implementation of IFRS 16 – Leases.

Key financial figures

(in USD'000 unless otherwise indicated)	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Income statement					
Total income	84 290	122 343	82 254	75 774	72 290
Operating profit before depreciation and amortisation (EBITDA)	55 883	81 405	47 889	40 269	38 101
Operating profit	29 740	64 371	25 338	26 692	26 798
Profit for the period	4 517	44 983	5 962	7 848	13 210
Balance sheet					
Total assets	2 492 448	2 304 777	2 138 504	2 146 533	1 970 437
Equity adjusted for hedging transactions	822 413	829 705	791 620	782 316	773 883
Adjusted equity ratio (%)	33	36	38	37	40
Net interest-bearing debt including lease liabilities ¹⁾	(1 463 396)	(1 250 786)	(1 082 471)	(1 108 855)	(908 532)
Cash flow					
Net cash flow from operating activities	50 202	52 209	44 548	41 242	32 591
Net cash flow from investing activities	(3 486)	(204 103)	48 232	(234 371)	21 089
Net cash flow from financing activities	(46 274)	117 407	(38 348)	157 732	(33 216)
Net increase/(decrease) in cash and cash equivalents	442	(34 487)	54 432	(35 397)	20 464

¹⁾ IFRS 16 has been implemented from 1 January 2019 in accordance with the modified retrospective method with no restatement of comparable figures for prior periods, see note 7. Lease liabilities of USD 216.7 million is recorded as of 31 March 2019.

² 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 2018.

Corporate/other activities

Refinancing of Höegh Gallant and Höegh Grace in Höegh LNG Partners

On 31 January 2019 Höegh LNG Partners drew down USD 320 million under the previously announced USD 385 million debt facility to refinance Höegh Gallant and Höegh Grace. USD 303.4 million outstanding under the previous USD 412 million facility was repaid with proceeds from the new financing. The USD 385 million facility also includes a revolving credit facility of up to USD 63 million, which may be drawn from time to time at the partnership's discretion.

Avenir LNG update

In accordance with its strategy, Avenir LNG is developing its business model based on aggregating LNG volumes for its customers and using its small-scale LNG carriers and terminals to create financially attractive economies of scale in its supply chains. It is in advanced discussions for several small-scale LNG import projects, and recently amended its newbuilding programme by replacing an order for two 7,500-cbm small-scale LNG carriers at Keppel Nantong with two similar vessels at Nantong CIMC Sinopacific Offshore & Engineering Co. Ltd, with delivery scheduled for 2021.

Höegh LNG, Golar LNG Ltd and founders Stolt-Nielsen Ltd are the three main shareholders of Avenir LNG. The initial equity commitment from Höegh LNG is for up to USD 42.75 million, representing a 22.5% equity holding. Of this commitment, USD 18 million is outstanding and expected to be invested during 2019.

Distribution from Höegh LNG Partners

Höegh LNG Partners declared a quarterly distribution of USD 0.44 per unit for the first quarter on 23 April 2019, corresponding to an annualised distribution of USD 1.76 per unit. Höegh LNG Holdings accordingly received USD 6.7 million in distributions and USD 0.4 million in IDRs for the first quarter of 2019 on 15 May 2019.

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 2019, equivalent to USD 1.9 million. The board of directors has furthermore declared a dividend of USD 0.025 per share for the second quarter of 2019. Höegh LNG shares will trade ex-dividend on 6 June 2019 and shareholders recorded in the VPS following the close of trading on Oslo Børs on 7 June 2019 will be entitled to the distribution. This will be payable on or around 21 June 2019.

Business review

Overall performance

The group's technical availability was 100.0% during the first quarter of 2019. The lost-time injury frequency was zero for the quarter ending 31 March, marking the 20th consecutive month without any injuries.

Technical availability of fleet and safety performance

	2019	2018	2017	2016	2015
Technical availability	100.0 %	99.8 %	99.8 %	99.9 %	100.0 %
Lost time injury frequency ¹⁾	0.00	0.00	0.38	0.00	0.73

¹⁾ Calculated per million exposure hours for sea going personnel only

First class renewal survey afloat

Starting in the first quarter, FSRU Independence successfully underwent its first class-renewal survey afloat on-site in Klaipeda harbour. Since the survey was performed without the requirement to re-position to a dry dock, time out of service was minimised. The Independence is now approved for another five years of service until its next renewal survey, which comes up in 2024.

Höegh LNG is committed to service its customers with state-of-the-art and full up-time services. Its FSRUs are therefore constructed to service long-term contracts uninterruptedly, allowing class renewal surveys to be performed afloat and on-site. The successful class renewal afloat of Independence marks a milestone for Höegh LNG, as well as for the wider industry, and reflects Höegh LNG's high-quality ship designs, technical capabilities and operational competence throughout the organisation.

Höegh Gallant, Neptune and PGN FSRU Lampung will undergo their five-year class renewal surveys later this year. While PGN FSRU Lampung and Neptune are to be surveyed afloat, Höegh Gallant will be dry docked since it currently trades as an LNG carrier.

Business development activity

Höegh LNG has won exclusivity or been selected for a total of three FSRU contracts. Of these, two developments are based in south-east Australia while the third addresses a south Asian market. In addition, the group remains involved in the final round for one ongoing FSRU tender.

Höegh LNG was selected during December 2018 by a wholly owned subsidiary of AGL Energy Ltd. (AGL) as the FSRU provider for its LNG import facility under development at Crib Point in Victoria. The signed time charter party (TCP) is for a period of 10 years with anticipated start-up in 2020-21. The contract remains conditional on a final investment decision by AGL in relation to the project, and on the receipt of key regulatory approvals. These relate to an independent governmental review and the environmental effect statement process, which is well under way. The FSRU assigned to the project is expected to generate annual EBITDA of between USD 29 million and USD 31 million, depending on planned technical modifications which may be specified by AGL before project start-up. The most likely FSRU candidate for this project is Höegh Giant.

Höegh LNG has furthermore achieved exclusivity for Australian Industrial Energy's (AIE) import project at Port Kembla, Australia. On 29 April 2019, AIE announced that it had received a development consent award from the New South Wales government, which means that the project is ready for construction, subject to final investment decision. AIE intends to install an FSRU to supply the New South Wales natural gas market and is backed by a consortium consisting of Squadron Energy, owned by Australian industrialist Andrew Forrest, JERA Co, the largest buyer of LNG in the world, and Marubeni, a major trading and investment firm. Höegh LNG plans to use FSRU #10 for this project.

Progress has also been made by the third project to which the group has been granted exclusivity. Intended for a south Asian market, this in the process of securing the operating permits it needs to have for a final investment decision to be taken.

The fourth project, where Höegh LNG is in the final selection round, is targeting a final selection by mid-2019.

The group is involved in several additional selection and tender processes at various stages of development. China remains a key focus area, since growth in regasification capacity has lagged behind the increasing demand for natural gas for the Chinese market.

Additional prospective projects which require FSRU newbuildings continue to come to market across all geographical regions. Although the strategic rationale of prospective projects may be robust, a combination of political, commercial, technical, financial and/or other factors affects FSRU developments and makes the outcome of ongoing tendering processes difficult to predict until they are completed.

FSRU #10 update

FSRU #10 is scheduled for delivery from Samsung Heavy Industries by August 2019, and the unit is part of ongoing processes related to long-term FSRU contracts with start-up in 2020 and 2021. Höegh LNG continues to evaluate alternatives for interim employment of the unit, with the ambition of best combining exposure to the improving LNGC market and the certainty of cash flows.

Market

Global LNG trade increased by almost 10% to 320 million tonnes in 2018, and growth has continued into 2019. During the first quarter, LNG volumes reached 89.9 million tonnes, an increase of 13% relative to the same period of 2018. Europe and China were the main drivers behind the year-on-year volume growth, while both South Korea and Japan scaled back on imports relative to the same period of 2018.

China remains a high-growth market for natural gas, with imports of LNG up 24% in the first quarter of 2019 relative to the same period of last year. To improve efficiency and reduce costs related to distribution of natural gas, Chinese authorities have established a national company, intended to accelerate gas pipeline development and to optimise gas network flows. With increased pipeline access, LNG importers should be able to reach a wider market and grow the potential for LNG and natural gas consumption in the Chinese market.

China's focus on increasing the access to natural gas accords well with its "Blue Sky War" on air pollution. Natural gas is increasingly seen as a tool for reducing greenhouse gas emissions, being in effect a SO_x- and particulate-free alternative to coal and oil-based fuels. Furthermore, burning gas instead of coal can reduce NO_x emissions by 75%. Furthermore, CO₂ emissions from a new, efficient gas-fired power station can be halved compared with a typical coal-fired alternative.

In Australia, natural gas is a vital component in efforts to ensure access to reliable and affordable power for the future. A list of 12 new power-generation initiatives were presented by authorities in March, including six renewable pumped hydro projects, five gas projects and one coal upgrade project. The combined emissions intensity of these projects was an important part of the selection process, providing further evidence to the role of natural gas as an alternative to coal and oil, and an important complement to renewable energy.

Growing exports from the US provided a significant part of the incremental LNG volumes in the first quarter of 2019. Corpus Christi LNG T1 and Sabine Pass T5 entered commercial operations in this period, contributing to an increase in US LNG exports of 43% to 7.4 million tonnes. Meanwhile, the addition of first cargoes from Elba Island LNG and Cameron LNG during the coming months provide a strong case for a continued rise in US LNG exports. In addition, US LNG contracting momentum also continues, with several long-term offtake agreements entered into, such as Ocean LNG's (a JV owned by QP and ExxonMobile) agreement regarding offtake and marketing of all volume from the Golden Pass LNG project and Shell's agreement with NextDecade to purchase gas from the Rio Grande LNG terminal (signed in April 2019). Furthermore, three additional US LNG projects have recently received regulatory approval. Finally, Golden Pass LNG reached FID in February 2019. Combined, these factors strengthen the long-term potential for growth in US LNG exports.

Factors such as increasing supply of competitively priced LNG and a diverse set of demand factors for this fuel – including environmental motivation – support demand for FSRUs, since these provide the most efficient doorway to global LNG trade. A significant number of FSRU projects still in the development phase provide a diverse set of business opportunities for existing and future FSRUs.

FSRUs currently operate as LNG import facilities under 24 different contracts. Since the start of the year such units have started operations in Kaliningrad, Bangladesh and Brazil. Moreover, FSRUs are expected to arrive and start operation in India and Turkey later this year. In addition to the contracts currently being served, another 10-12 projects have signed up for FSRU capacity and plan to start importing LNG over the next three years.

The global FSRU fleet consisted of 34 units (including two smaller barges) at 31 March 2019. Twelve FSRUs, including three LNGC-to-FSRU conversions, are currently under construction. Of these twelve, five appear to be uncommitted, including one conversion.

A mild winter and increased access to nuclear energy in Japan and Korea put LNG prices under pressure in the first quarter. Consequently, cargoes were increasingly directed to European markets, with a negative impact on shipping demand. Spot rates began to decrease from levels in the USD 150-200,000 per day range towards the end of 2018 and have first started to recover in the second quarter of the year, albeit from levels of around USD 40,000 per day.

Outlook

Höegh LNG continues to operate in a market with solid demand for LNG and many business opportunities globally. With a well-proven track record in building and operating FSRUs, as well as strong technological experience and capabilities, it continues to compete for the most attractive floating regasification projects.

Operating results in the second quarter of 2019 are likely to be affected by fewer days in FSRU mode for Höegh Esperanza, since it will serve as an LNGC for CNOOC on fixed terms during the summer months.

INTERIM CONSOLIDATED STATEMENT OF INCOME

USD'000 (unaudited)	Note	1Q 2019	4Q 2018	1Q 2018
Time charter revenues	4	79 504	116 530	67 531
Management and other income	5	1 111	1 795	771
Share of results from investments in associates and joint ventures		3 675	4 018	3 988
Total income		84 290	122 343	72 290
Charter hire expenses		-	(8 906)	(8 712)
Bunker and other voyage related expenses		184	(763)	(1 125)
Operating expenses		(15 810)	(18 029)	(13 122)
Project administrative expenses		(4 677)	(5 071)	(4 360)
Group administrative expenses		(6 112)	(5 919)	(5 275)
Business development expenses		(1 993)	(2 250)	(1 595)
Operating profit before depreciation and amortisation (EBITDA)	4	55 883	81 405	38 101
Depreciation		(26 143)	(17 034)	(11 303)
Operating profit		29 740	64 371	26 798
Interest income		1 176	1 025	472
Interest expenses		(23 203)	(16 817)	(12 510)
Income from other financial items		(571)	100	1 020
Expenses from other financial items		(925)	(1 767)	(501)
Net financial items		(23 523)	(17 458)	(11 519)
Ordinary profit before tax		6 216	46 915	15 279
Income taxes		(1 699)	(1 923)	(2 069)
Profit for the period		4 517	44 983	13 210
Profit (loss) for the period attributable to (from):				
Equity holders of the parent		(5 122)	34 587	2 305
Non-controlling interests		9 639	10 396	10 905
Total		4 517	44 983	13 210
Earnings per share attributable to equity holders of the parent:				
Basic and diluted earnings per share		(0.07)	0.45	0.03

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD'000 (unaudited)	1Q 2019	4Q 2018	1Q 2018
Profit for the period	4 517	44 983	13 210
Items that will not be reclassified to profit or loss			
Net gain (loss) on other capital reserves	2	437	-
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on hedging reserves	(20 100)	(22 656)	17 731
Share of other comprehensive income from associates and joint ventures	(3 847)	(5 887)	9 645
Other comprehensive income (loss) for the period net of tax	(23 945)	(28 106)	27 376
Total comprehensive income (loss)	(19 428)	16 877	40 586
Total comprehensive income attributable to (from):			
Equity holders of the parent	(24 763)	10 349	23 899
Non-controlling interests	5 335	6 528	16 687
Total comprehensive income (loss)	(19 428)	16 877	40 586

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Mar 2019 (unaudited)	31 Dec 2018 (audited)
ASSETS			
Non-current assets			
Deferred tax assets		370	369
Vessels and depot spares		1 890 686	1 907 560
Newbuildings under construction		91 465	88 761
Right of use assets	7	215 290	-
Investments in associates and joint ventures		25 198	25 486
Other non-current financial assets		7 197	19 656
Other non-current assets		11 059	11 840
Shareholder loans		3 606	3 536
Restricted cash		17 835	17 925
Total non-current assets		2 262 706	2 075 133
Current assets			
Bunkers and inventories		722	2 726
Trade and other receivables		58 993	54 670
Other current financial assets		4 627	7 771
Restricted cash		7 004	6 523
Cash and cash equivalents		158 396	157 954
Total current assets		229 742	229 644
TOTAL ASSETS		2 492 448	2 304 777
EQUITY AND LIABILITIES			
Equity			
Share capital		773	773
Other paid-in capital		554 920	554 660
Capital reserves		(44 485)	(24 844)
Retained earnings		(37 615)	(30 258)
Equity attributable to equity holders of the parent		473 593	500 330
Non-controlling interests		281 141	286 667
Total equity		754 736	786 999
Non-current liabilities			
Deferred tax liability		10 707	10 030
Non-current interest-bearing debt	6	1 333 738	1 059 506
Non-current lease liability	7	180 847	-
Investments in joint ventures		8 964	9 080
Other non-current financial liabilities		20 320	10 108
Deferred revenue		1 573	2 033
Total non-current liabilities		1 556 149	1 090 757
Current liabilities			
Current interest-bearing debt	6	96 156	373 682
Current lease liability	7	35 890	-
Income tax payable		3 859	3 611
Trade and other payables		18 762	18 358
Other current financial liabilities		12 448	9 521
Other current liabilities		14 449	21 849
Total current liabilities		181 563	427 021
TOTAL EQUITY AND LIABILITIES		2 492 448	2 304 777

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000 (unaudited)	1Q 2019	4Q 2018	1Q 2018
Cash flow from operating activities			
Profit (loss) before tax for the period	6 216	46 915	15 280
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation	26 143	17 034	11 303
Fair value adjustments on marketable securities	-	-	(356)
Interest income	(1 176)	(1 025)	(386)
Interest expenses	23 203	16 817	12 510
Net loss (income) on interest rate hedges	571	(101)	(664)
Share-based payment cost and Board remuneration not paid-out	316	346	242
Share of results from investments in associates and joint ventures	(3 675)	(4 018)	(3 988)
<i>Working capital adjustments</i>			
Change in inventories, receivables and payables	(559)	(22 573)	(728)
Payment of income tax	(835)	(1 185)	(622)
i) Net cash flow from operating activities	50 202	52 209	32 591
Cash flow from investing activities			
Investments in FSRUs, dry docking and newbuildings	(3 880)	(179 457)	25 000
Investment in intangibles, equipment and other	(279)	(441)	(3 458)
Investments in joint ventures	-	(24 750)	(768)
Interest received	672	545	386
Repayment of shareholder loans	-	-	(71)
ii) Net cash flow from investing activities	(3 486)	(204 103)	21 089
Financing activities			
Gross proceeds from equity issuance (HMLP)	-	4 823	10 895
Transaction costs on equity issuance (HMLP)	-	(85)	(181)
Dividend paid to non-controlling interest (HMLP)	(11 248)	(11 244)	(11 347)
Dividend paid to shareholders of the parent	(1 905)	(1 901)	(1 901)
Proceeds from borrowings	320 000	175 000	-
Payment of debt issuance costs	(5 796)	(7 556)	-
Repayment of borrowings	(321 799)	(21 478)	(18 353)
Lease payments	(9 025)	-	-
Interest paid	(16 112)	(17 358)	(15 516)
(Increase) decrease in restricted cash	(391)	(2 794)	3 187
iii) Net cash flow from financing activities	(46 274)	117 407	(33 216)
Net increase/(decrease) in cash and cash equivalents (i+ii+iii)	442	(34 487)	20 464
Current cash and cash equivalents at the beginning of the period	157 954	192 439	152 940
Current cash and cash equivalents at the end of the period	158 396	157 954	173 404

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

		Attributable to equity holders of Höegh LNG Holdings Ltd.									
USD'000 (unaudited)	Note	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserve	Other capital reserves	Retained earnings	Total	Non- controlling interests	Total equity
At 1 January 2019		773	447 035	(12)	107 637	(22 050)	(2 794)	(30 258)	500 330	286 667	786 999
Profit (loss) for the period								(5 127)	(5 127)	9 644	4 517
Other comprehensive income						(19 641)			(19 641)	(4 304)	(23 945)
Total comprehensive income						(19 641)	-	(5 127)	(24 768)	5 341	(19 428)
HMLP dividend to non-controlling interests										(11 248)	(11 248)
Share-based settlement			531	1	(532)				-	-	-
Dividend to shareholders of the parent								(1 905)	(1 905)	-	(1 905)
Share-based payment costs					260				260	56	316
Transfer of assets to HMLP	5							(325)	(325)	325	-
Total other transactions recognised directly in equity		-	531	1	(272)	-	-	(2 230)	(1 970)	(10 867)	(12 836)
At 31 March 2019		773	447 566	(11)	107 365	(41 691)	(2 794)	(37 615)	473 593	281 141	754 736

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

		Attributable to equity holders of Höegh LNG Holdings Ltd.									
USD'000 (unaudited)		Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserve	Other capital reserves	Retained earnings	Total	Non- controlling interests	Total equity
At 1 January 2018		772	446 945	(12)	105 400	(32 345)	(2 794)	(38 486)	479 480	225 758	705 238
Profit for the period								2 305	2 305	10 905	13 210
Other comprehensive income						21 594			21 594	5 782	27 376
Total comprehensive income		-	-	-	-	21 594	-	2 305	23 899	16 687	40 586
MPL dividend to non-controlling interests										(11 347)	(11 347)
Net proceeds from issuance of common units										2 778	2 778
Net proceeds from issuance of Series A Preferred Units										7 935	7 935
Dividend to shareholders of the parent								(1 901)	(1 901)		(1 901)
Share-based payment costs					215				215	27	242
Total other transactions recognized directly in equity		-	-	-	215	-	-	(1 901)	(1 686)	(607)	(2 293)
At 31 March 2018		772	446 945	(12)	105 615	(10 751)	(2 794)	(38 082)	501 693	241 838	743 531

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 28 May 2019.

The number of issued shares for the quarter ending 31 March 2019 was 77 260 580, of which 1 080 595 were held in treasury. The number of outstanding shares on 31 March 2019 was 76 179 985.

2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ending 31 March 2019 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 2018. The consolidated financial statements are presented in USD and all values are rounded to the nearest USD 1 000 unless otherwise indicated. Because of rounding adjustments, amounts and percentages may not add up to the total.

With effect from 1 January 2019, the company implemented IFRS 16 – Leases. Reference is made to note 7 for further information about the standard, the policy choices made and the implementation effect.

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 2019, the company held 45.95% of the common and subordinated units issued in Höegh LNG Partners LP. HMLP is consolidated on the basis of management's assessment that Höegh LNG Holdings has de facto control of HMLP even though it has less than 50% of the voting rights. The 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 associates, joint ventures and subsidiaries, in the annual consolidated financial statements for 2018 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 group 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.

Joint ventures: claims and provisions

Under the Neptune and the Cape Ann time charters, the joint ventures undertake to ensure that the vessels always meet specified performance standards 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 charters for the Neptune and 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 initial claim asserted a gross amount of compensation of USD 58 million for the excess boil-off volume, which was reduced to USD 52 million when the charterer submitted its arbitration request. The charterer reserved its right to make a further claim with respect to subsequent performance periods. 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 the gross claim of USD 58 million. 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. Höegh LNG's 50% share of the accrual was approximately USD 11.9 million.

The arbitration tribunal's determination was received in March 2019. This did not cover all the questions of contractual interpretation on which disagreement exists between the parties. Except for one issue, the tribunal's conclusions on the contractual interpretations were unambiguous. For the remaining issue related to the calculation of a deduction from the gross claim, the tribunal did not specify how the deduction should be determined. As a result, significant uncertainty remains in the evaluation of the potential outcome of the boil-off claim. Based on the additional information from the tribunal's determination and updated estimates of the potential range of the liability, the joint ventures concluded the existing provision of USD 23.7 million continues to represent their best estimate of the probable liability at 31 March 2019 and Höegh LNG's 50% share of the provision remains at approximately USD 11.9 million. As a result of the tribunal's determination, fewer interpretative questions relating to the boil-off claim remain, narrowing the range of potential outcomes, which could facilitate a negotiated solution between the parties. However, it is also possible that the claim could ultimately be settled through further arbitration. Subsequent to receiving the tribunal's determination, the parties have initiated discussions with the objective of reaching a negotiated solution.

The joint ventures will continue to monitor this issue and adjust the provision, as might be required, based on 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 Arctic Leases). 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 under the Arctic Leases, 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 Hoegh (U.K.) Limited, 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 19, Commitments and guarantees (Arctic Vessels), in the annual consolidated financial statements for 2018 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 and interest-bearing debt. Other assets and liabilities are followed up at a consolidated level.

Segment reporting is based on the same principles as the group's internal management 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 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 LP. It includes the four FSRUs Independence, Höegh Giant, Höegh Esperanza and Höegh Gannet as well as the LNGCs Arctic Princess and Arctic Lady. The segment comprises revenues and expenses related to FSRUs and LNGCs in operation, 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 related 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 includes corporate functions such as group management, group finance, legal and other administrative expense which are not allocated to the other operating segments.

OPERATING INCOME AND OPERATING EXPENSES PER SEGMENT

(USD million)	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	1Q 2019	1Q 2018	1Q 2019	1Q 2018	1Q 2019	1Q 2018	1Q 2019	1Q 2018	1Q 2019	1Q 2018
Time charter revenues	38.0	36.7	41.5	30.9	-	-	-	-	79.5	67.5
Management and other income	0.1	0.4	1.0	0.4	-	-	-	-	1.1	0.8
Share of results from investments in associates and joint ventures	2.8	2.7	0.9	1.2	-	-	-	-	3.7	4.0
Total income	40.8	39.8	43.5	32.5	-	-	-	-	84.3	72.3
Charter hire expenses	-	-	-	(8.7)	-	-	-	-	-	(8.7)
Bunker and other voyage related expenses	-	-	0.2	(1.1)	-	-	-	-	0.2	(1.1)
Operating expenses	(6.1)	(5.7)	(9.7)	(7.1)	(0.1)	(0.3)	-	-	(15.8)	(13.1)
Project administrative expenses	(0.7)	(1.1)	(2.6)	(2.1)	(1.4)	(1.2)	-	-	(4.7)	(4.4)
Group administrative expenses	(1.8)	(2.0)	-	-	-	-	(4.3)	(3.3)	(6.1)	(5.3)
Business development expenses	-	-	-	-	(2.0)	(1.6)	-	-	(2.0)	(1.6)
Operating profit (loss) before depreciation and amortisation (EBITDA)	32.2	31.0	31.4	13.5	(3.4)	(3.1)	(4.3)	(3.3)	55.9	38.1

ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS AT 31 MARCH

(USD million)	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Tangible assets										
Vessels, newbuildings and RoU assets	795	820	1 311	555	91	241	-	-	2 197	1 616
Liabilities										
Interest-bearing debt incl. lease liabilities	440	465	903	362	-	-	303	321	1 647	1 148

Revenues from contracts with customers

The group presents its revenue by segment, disaggregated by revenue recognised in accordance with the accounting standard on leasing (IFRS16) and on revenue from contracts with customers (IFRS15) for time charter services. In addition, material elements are presented separately where the nature, amount, timing and uncertainty of revenue and cash flows differ from the monthly invoicing under time charter contracts. The LNGCs' time charter contracts include provisions for the charterer to make upfront payments to compensate for variable dry-docking costs. Such 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.

DISAGGREGATION BY NATURE OF TIME CHARTER REVENUES BY SEGMENT

(USD million)	HMLP	Operations	Total
	1Q 2019	1Q 2019	1Q 2019
Lease revenues	15.2	35.5	50.7
Time charter service revenues	22.8	5.6	28.4
Amortisation of deferred revenue for dry docking	0.0	0.4	0.5
Total time charter revenues	38.0	41.5	79.5

The group's FSRUs and LNGCs operate on time charter contracts, where the charterer controls the choice of locations or routes to be served by the FSRUs/LNGCs, and the economic factors of a geographical region where the vessels are located would not affect revenues due under time charter contracts. Disaggregation of revenues by geographical region is therefore not meaningful.

The group's risk and exposure related to uncertainty of revenues or cash flows related to its long-term time charter contracts relate primarily 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 utilisation 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 0.6 million in the first quarter of 2019 (USD 1.2 million in the fourth quarter of 2018). For a more detailed description of recurring related-party transactions, see information disclosed in Note 31 of the 2018 annual report.

On 1 October 2015, the company sold Höegh Gallant to HMLP in a dropdown transaction. The sales contract granted HMLP an option to lease the vessel back to Höegh LNG Ltd from the date of termination or expiry of the lease and maintenance agreement (LMA) and until 31 July 2025 (with no option to extend), at a rate equal to 90% of the daily LMA rate plus any incremental taxes or operating expenses as a result of such a charter. The option must be exercised before expiry of the charter with Egas. Management consider it likely that the option will be utilised and have made a provision for the net present value of the obligation (net of estimated future time charter hire) as a long-term liability in the statutory accounts of Höegh LNG Ltd. Transfer of assets do not generally affect the allocation of profit between non-controlling interests and the equity holders of the company in the consolidated accounts. The increase of USD 0.3 million in the non-controlling interests' share of the obligation has been reflected separately in the consolidated statement of changes in equity for the first quarter of 2019.

6. COMMITMENTS AND FINANCING

Höegh LNG has entered a FSRU shipbuilding contract with Samsung Heavy Industries for FSRU #10, with delivery scheduled for August 2019. At 31 March 2019, total remaining capital expenditures relating to this commitment were around USD 184 million, including yard payments, project expenses, finance costs and contingencies.

Furthermore, Höegh LNG has made an investment commitment to Avenir LNG for up to USD 45.5 million. Following the private placement conducted in November 2018, this amount has been reduced to USD 42.75 million, of which USD 18 million is outstanding and expected to fall due in 2019.

Total available liquidity at 31 March 2019 was USD 221 million, including the USD 63 million revolving credit facility in Hoegh LNG Partners LP. In addition, Höegh LNG has received commitment letters for a sale and leaseback financing of up to USD 206 million for FSRU #10. Provided by China Construction Bank Financial Leasing Co Ltd (CCB), the facility will be available to fund 70% of the delivered cost of the FSRU, increasing to 80% once long-term employment for the FSRU has been established. The facility is subject to final documentation.

Including these financing amounts, the total liquidity at 31 March 2019 would be USD 427 million. Finally, when conditions relating to long-term employment of Höegh Giant and Höegh Esperanza have been met, the available amount under the respective financing facilities may be increased by up to USD 29 million and USD 30 million respectively.

As of 31 March 2019, there were no material contractual purchase commitments. However, during the second quarter of 2019, Höegh Gallant will enter dry dock for class renewal survey and PGN FSRU Lampung will conduct a class renewal survey afloat. The combined capital expenditure is expected to be approximately USD 7.0 to USD 8.5 million which will not be covered by the respective charterers. Höegh Gallant and PGN FSRU Lampung are expected to be off-hire for 14-16 days in total during the second quarter 2019, for these procedures. The expenditure for afloat class renewal for Independence will be covered by the charterer in 2019 and no off-hire outside the contract allowance was incurred. Neptune is scheduled to be dry docked in second half of 2019 for its class renewal survey. Estimated expenses for the class renewal will be covered by the charterer and no off-hire outside the contract allowance is expected.

INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES 31 MARCH 2019

USD'000	HLNG		Total
	net of HMLP	HMLP	
Mortgage debt	699 615	451 319	1 150 934
Unsecured bond debt	304 475	-	304 475
Debt issuance costs	(14 468)	(11 047)	(25 515)
Lease liabilities	216 574	163	216 737
Interest-bearing debt including lease liabilities	1 206 197	440 434	1 646 631
Cash and cash equivalents	124 082	41 318	165 400
Long-term restricted cash	4 800	13 035	17 835
Net interest-bearing debt including lease liabilities, equity method	1 077 314	386 081	1 463 396
Proportionate share of joint venture debt	108 062	212 136	320 198
Proportionate share of joint venture debt issuance costs	-	(113)	(113)
Proportionate share of joint venture interest-bearing debt	108 062	212 023	320 085
Proportionate share of joint venture cash and marketable securities	15 622	10 439	26 061
Proportionate share of joint venture long-term restricted cash	-	15 309	15 309
Proportionate share of joint venture net interest-bearing debt	92 440	186 277	278 715

DEBT MATURITY PROFILE INCLUDING LEASE LIABILITIES 31 MARCH 2019

USD'000	Due in year 5					Total
	Due in year 1	Due in year 2	Due in year 3	Due in year 4	and later	
Independence facility	15 248	76 293	15 248	15 248	49 475	171 513
PGN FSRU Lampung facility	19 062	19 062	28 757	14 886	49 551	131 319
Höegh Esperanza facility	12 500	12 500	12 500	12 500	137 500	187 500
Höegh Giant facility	12 707	12 707	142 950	-	-	168 363
Höegh Gannet facility	11 042	11 042	11 042	11 042	128 073	172 240
Bond debt	-	130 000	174 475	-	-	304 475
USD 385 million facility (Höegh Grace and Höegh Gallant)	25 597	25 597	25 597	25 597	217 611	320 000
Interest-bearing debt outstanding	96 156	287 201	410 569	79 273	582 210	1 455 409
Debt issuance cost						(25 515)
Total interest-bearing debt excluding lease liabilities	96 156	287 201	410 569	79 273	582 210	1 429 894
Lease liabilities	35 890	33 980	32 069	30 531	84 266	216 737
Total interest-bearing debt including lease liabilities	132 046	321 181	442 638	109 804	666 476	1 646 631

7. IFRS 16 – LEASES

IFRS 16 – Leases, which has replaced IAS 17– Leases, was implemented by the group on 1 January 2019. The new accounting standard covers the recognition, measurement and presentation of leases and related disclosures in the financial statements. IFRS 16 defines a lease as a contract which conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The standard requires that all contracts which meet the definition of a lease, except for short-term leases and leases for low-value assets, be reflected in the balance sheet of a lessee as a lease liability and a right-of-use (RoU) asset. In the consolidated statement of income, operating lease cost will be replaced by depreciation and interest expenses. The RoU assets are to be depreciated over the shorter of each contract's term and the assets' useful life. IFRS 16 also changed the classification of lease-related payments in the statement of cash flows, where the portion of lease payments representing down payments of lease liabilities are classified as cash flows used in financing activities.

IFRS 16 – Leases: transition and policy application choices

On implementation of IFRS 16, the following main implementation and application policy choices have been made by Höegh LNG.

- IFRS 16 has been implemented in accordance with the modified retrospective method, with no restatement of comparable figures for 2018. These are presented in accordance with IAS 17.
- Contracts already classified either as leases under IAS 17 or as non-lease service arrangements will maintain their respective classification on implementation of IFRS 16.
- Leases for which the lease term ends within 12 months of 1 January 2019 (short-term leases) and leases for low-value assets will not be recognised as leases under IFRS 16 but will be expensed as incurred.
- As a lessee, the company will separate out the service element concerning any time-chartered vessels. For all other classes of assets, the non-lease components will not be separated from the lease components, and both elements will be accounted for as a single lease component.
- Fixed and in-substance fixed lease payments will be included in the commencement date computation of a lease liability, while variable payments dependent on future performance or use of the asset will not.
- A transaction is defined as a sublease when an underlying asset is re-leased by a lessee to a third party and the original lessee retains the primary obligation under the original lease. As a lessee, Höegh LNG will record a lease liability and an RoU asset. As an intermediate lessor, if the sublease is classified as a finance lease, Höegh LNG will derecognise the RoU asset and instead recognise a net investment (financial lease receivable) in the sublease. Any difference between the RoU asset and the net investment in the sublease is recognised in profit or loss.
- In measuring the present value of the lease liability under IFRS 16, the standard requires that the lessee's incremental borrowing rate be used as the discount factor if the rate implicit in the lease cannot be readily determined. In establishing Höegh LNG's lease liabilities, the incremental borrowing rates used as discount factors in discounting payments are established on the basis of a consistent approach reflecting the group's borrowing rate, the currency of the obligation, the duration of the lease term and the credit spread for the legal entity entering into the lease contract.

Accounting for sale and leaseback transactions is one of the main areas in which IFRS 16 changes guidance for the lessor compared with IAS 17. According to IAS 17, accounting for sale and leaseback transactions depended on whether the leaseback was classified as a finance or an operating lease. Under IFRS 16, the determining factor is whether the transfer of assets qualifies as a sale in accordance with IFRS 15 – Revenue Recognition. If the buyer/lessor has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15, the seller/lessee measures an RoU asset arising from the leaseback as the proportion of the previous carrying amount of the asset which relates to the RoU retained. The gain or loss which the seller/lessee recognises is limited to the proportion of the total gain or loss which relates to the rights transferred to the buyer/lessor. If the transfer is not a sale (that is, the buyer/lessor does not obtain control of the asset in accordance with IFRS 15), the seller/lessee does not derecognise the transferred asset and accounts for the cash received as a financial liability, net of debt issuance cost, applying IFRS 9. The buyer/lessor does not recognise the transferred asset and accounts instead for the cash paid as a financial asset (receivable), applying IFRS 9.

Implementation effects:

The implementation of IFRS 16 at 1 January 2019 has increased the consolidated balance sheet by adding lease liabilities of USD 223.1 million and RoU assets of USD 223.1 million. Höegh LNG's equity has not been affected by the implementation of IFRS 16.

The RoU assets recognised in the opening balance at 1 January 2019 related to USD 214 million for leases of vessels, USD 8.9 million for buildings and land and USD 0.3 million for other.

The table below presents a maturity profile based on undiscounted cash flows for Höegh LNG's lease liabilities per 1 January 2019:

USD '000	2019	2020-2021	2022-2023	2024-2026	Total
Lease payments	37 040	73 741	73 173	80 015	263 970

In the first quarter of 2019, Höegh LNG recorded total lease payments of USD 9 million, of which USD 2.7 million was payment of interest and USD 6.3 million was repayment of lease liabilities. Operating lease expenses amounted to USD 0.3 million and depreciation of RoU assets amounted to USD 7.8 million. Total lease liabilities at 31 March 2019 were USD 216.7 million, presented in the balance sheet in non-current lease liabilities and in current lease liabilities at USD 180.8 million and USD 35.9 million respectively. RoU assets amounted to USD 215.3 million, of which USD 206.5 million, USD 8.5 million and USD 0.3 million related to vessels, buildings and land, and other respectively. The weighted average discount rate used to calculate the lease liability in the opening balance under IFRS 16 at 1 January was 5.1%.

8. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- Dividend of USD 0.025 per share declared for the second quarter of 2019
- In the period 1 April 2019 to 27 May 2019, HMLP issued 48,630 Series A preferred units and 53,060 common units under the ATM program at average gross sales price of USD 26,16 and USD 19,60 per unit, respectively. Net proceeds received after sales commissions paid to the agent totalled USD 2.2 million in this period.

9. FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements. These 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, Höegh LNG cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions because such assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control.

Among the important factors which could cause actual results to differ materially from those in the forward-looking statements are: changes in LNG transport, 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 as well as Höegh LNG's ability to operate and control its vessels; changes in the financial stability of clients or the group'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 for 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 regulations 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 the 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): operating profit plus depreciation, amortisation and impairments. EBITDA is defined as the line item operating profit before depreciation and amortisation in the consolidated statement of income.
- Net interest-bearing debt: non-current and current interest-bearing debt less 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. The mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures is recorded as part of the 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.
- Adjusted basic and diluted earnings per share shows the value of EPS as if an allocation of profit had been made for transfer of assets (to) from HMLP.

NET INTEREST-BEARING DEBT	31 Mar 2019	31 Dec 2018
Interest-bearing debt, current and non-current	(1 646 631)	(1 433 188)
Restricted cash, non-current	17 835	17 925
Cash and cash equivalents	165 400	164 477
Net interest-bearing debt	(1 463 396)	(1 250 786)

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	31 Mar 2019	31 Dec 2018
Equity	754 736	786 999
Hedge reserve including non-controlling interest share	67 676	42 706
Equity adjusted for hedging transactions	822 413	829 705

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	31 Mar 2019	31 Dec 2018
Total assets	2 492 448	2 304 777
Hedge assets	23 852	12 422
Total assets adjusted for hedging transactions	2 516 301	2 317 199
Equity adjusted for hedging transactions	822 413	829 705
Equity ratio adjusted for hedging transactions	33 %	36 %

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	31 Mar 2019	31 Dec 2018
Profit for the period attributable to (from):		
Equity holders of the parent	(5 122)	32 363
Diluted earnings per share	(0.07)	0.42
Transfer of assets/capital contribution (to) from HMLP		
Capital contribution (to) from HMLP	-	352
Transfer of assets (to) HMLP	(325)	(18 213)
Total contributions/transfers (to) from HMLP	(325)	(17 861)
Adjusted profit for the period attributable to (from) equity holders of the parent	(5 447)	14 502
ADJUSTED DILUTED EARNINGS PER SHARE (USD'1)	(0.07)	0.19

APPENDIX 2 – ABBREVIATIONS

Abbreviation

Definition

ATM	At-the-market
FSRU	Floating storage and regasification unit
FSRU #10	SHI HN2220
Egas	Egyptian Natural Gas Holding Company
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
NB	Newbuilding
SHI or Samsung Heavy Industries	Samsung Heavy Industries Co., Ltd.
Höegh LNG Holdings or the company	Höegh LNG Holdings Ltd.
VPS	Norwegian Central Securities Depository
Naturgy	Naturgy Energy Group S.A., formerly Gas Natural Fenosa