



HÖEGH LNG

INTERIM RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

Highlights for the quarter ended 31 December 2019

- EBITDA¹ of USD 59.8 million
- Net profit of USD 4.0 million
- Dividend of USD 0.025 per share paid in the fourth quarter of 2019

Subsequent events

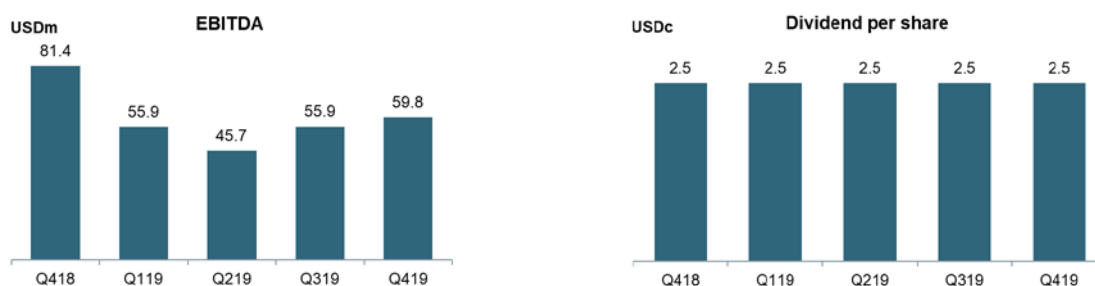
- Dividend of USD 0.025 per share declared for the first quarter of 2020
- Secured a revolving credit facility of USD 80 million and a new bond loan of NOK 650 million to refinance the HLNG 02 bond maturing in June 2020 and for general corporate purposes
- Commercial agreement reached with Total for settling the boil-off claim in line with provisions made in previous periods
- HMLP issued new Series A preferred units in January and February under its ATM programme equal to USD 2.1 million in net proceeds
- On 26 February, HMLP declared the option to lease back Höegh Gallant to Höegh LNG Holdings for about five years, effective from expiry of Höegh Gallant's existing LNGC contract in April 2020

Improved results in a growing LNG market

Höegh LNG's financial results for the fourth quarter of 2019 improved compared with the preceding quarter. Höegh Galleon operated for a full quarter and increased spot rates for LNG carriers lead to higher charter revenues for Höegh Giant. Höegh Esperanza operated in FSRU mode for approximately half of the quarter. These factors were partly offset by a tax expense accrual for previous years related to operations in Indonesia.

Global LNG trade is still growing as new supplies of LNG continue to come online. With the significant volume growth in the market, LNG prices have trended downwards and are at historically low levels. Since more liquefaction capacity is being sanctioned the market is likely to stay long on supply for the foreseeable future, ensuring competitive LNG prices. Combined with a desire to reduce greenhouse gas emissions and improve local air quality, low LNG prices stimulate increased demand for LNG, which will require increased import capacity. FSRUs represent the most efficient and quickest way to increase the import capacity. Höegh LNG is selected or has exclusivity for three FSRU contracts, including two projects in Australia and a third in a south Asian market. In addition, the company is involved in several planned projects, which include two formal tender processes and a number of bilateral negotiations.

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 a total income of USD 94.2 million for the fourth quarter of 2019, compared with USD 82.2 million in the preceding quarter. This increase mainly reflects the first full quarter of operations for Höegh Galleon, a higher spot rate achieved for Höegh Giant in the fourth quarter and operation of Höegh Esperanza in FSRU mode for approximately half the quarter.

Höegh LNG reported an EBITDA of USD 59.8 million for the fourth quarter of 2019, up from USD 55.9 million in the preceding quarter. This increase reflects the higher income because of the factors described above, offset by increased Opex – primarily owing to Höegh Galleon operating for a full quarter and increased SG&A expenses. In addition, a tax expense of USD 3.0 million has been accrued as Opex in the fourth quarter related to operations in Indonesia for the period 2015-2019.

Höegh LNG recorded a net profit after tax of USD 4.0 million for the fourth quarter, up from USD 3.2 million in the preceding quarter. The increase is a result of higher EBITDA, partly offset by increased interest expenses and depreciation owing to Höegh Galleon being part of the fleet for the full quarter, and an impairment charge of USD 1.6 million related to regasification equipment in stock.

For the full year ended 31 December 2019, Höegh LNG reported USD 336.1 million in total revenues, compared with USD 352.7 million for the previous year. The decrease is mainly caused by the USD 40.2 million one-off revenue recognition of remaining contractual commitments from Egas under the amended contract structure implemented in Q4 2018, which is partly offset by higher revenues from a larger operated fleet in 2019 compared with 2018. EBITDA for the year increased from USD 207.7 million in 2018 to USD 217.3 million. In addition, the increased EBITDA is to a large extent explained by the change in accounting principles due to the implementation of IFRS 16 in 2019, which has led to certain charter hire expenses previously included in EBITDA being included in depreciations and interest expenses. This is partly offset by higher Opex from an increased fleet. Net profit fell to USD 8.0 million from USD 72.0 million. The decrease in net profit is mainly due to the one-off revenue recognition from the Egas contract in 2018, increased depreciation and higher interest expenses from the implementation of IFRS 16 and the increased fleet, partly offset with a positive EBITDA contribution from the increased fleet.

Operating cash flows rose in the fourth quarter by USD 27.8 million to USD 77.7 million. The net increase was mainly driven by variations in working capital between the two quarters. Other sources of cash during the quarter comprised USD 10.3 million in proceeds from the equity issue in Höegh LNG Partners. Uses during the quarter mainly comprised USD 35.0 million in debt repayment and lease payments, dividends paid and interest expenses. The net increase in cash and cash equivalents during the fourth quarter was USD 16.8 million.

At 31 December 2019, Höegh LNG held USD 195.1 million in current cash (USD 178.3 million). Net interest-bearing debt, including lease liabilities, decreased during the fourth quarter by USD 42 million to USD 1 566 million (USD 1 608 million). Total assets and book equity at 31 December 2019, after adjusting for the mark-to-market of interest rate swaps, were USD 2 636 million (USD 2 639 million), and USD 801 million (USD 800 million), respectively, equivalent to an adjusted book equity ratio of 30% (30%).

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 third quarter of 2019.

Key financial figures

(In USD'000 unless otherwise indicated)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Income statement					
Total income	94 189	82 166	75 491	84 290	122 343
EBITDA	59 832	55 875	45 676	55 883	81 405
Impairment	(1 551)	-	-	-	-
EBIT	30 209	29 178	19 248	29 740	64 371
Profit (loss) after tax for the period	3 992	3 164	(3 626)	4 517	44 983
Financial Position					
Total assets	2 601 838	2 621 006	2 436 795	2 492 449	2 304 777
Total assets adjusted for hedging ²	2 635 776	2 639 245	2 452 864	2 516 301	2 317 199
Equity adjusted for hedging reserves ²	800 912	800 271	808 500	822 411	829 703
Adjusted ratio (%) ²	30 %	30 %	33 %	33 %	36 %
Net interest-bearing debt including lease liabilities ¹	(1 565 969)	(1 608 022)	(1 461 195)	(1 463 396)	(1 250 786)
Cash flow					
Net cash flow from operating activities	77 679	49 923	47 781	50 202	52 209
Net cash flow from investing activities	(2 580)	(170 840)	(6 304)	(3 486)	(204 103)
Net cash flow from financing activities	(58 326)	158 728	(67 479)	(46 274)	117 407
Net increase (decrease) in cash and cash equivalents	16 773	37 811	(26 002)	442	(34 487)

¹⁾ IFRS 16 was 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 196.9 million were recorded at 31 December 2019.

²⁾ Equity ratio adjusted for hedging transactions is calculated in Appendix 1 - Alternative Performance Measures (APMs)

Corporate/other activities

Höegh Esperanza resumed FSRU operations in Tianjin

In mid-November 2019, Höegh Esperanza completed the season in LNGC mode and returned to the Tianjin LNG terminal in China to resume FSRU operations. The first cargo was received on 18 November and FSRU mode was successfully entered with the send-out of natural gas. Under the contract with CNOOC, Esperanza earns a higher rate while in FSRU mode than in LNGC mode. For accounting purposes, the revenue recognition of the FSRU rate versus the lower LNGC rate will to a larger extent be averaged over the year. Hence, the seasonal effects in 2020 will thereby be less pronounced than for previous reporting periods.

Settlement of boil-off claim with Total

In February 2020, Höegh LNG and Total reached a commercial agreement to settle the boil-off dispute regarding Neptune and Cape Ann. The settlement amount, which will be paid by the two joint venture companies owning the vessels, is in line with the provision made in 2017 and is subject to executing final binding agreements between the parties. Höegh LNG Holdings will indemnify Höegh LNG Partners for its 50% share of the settlement amount.

Refinancing initiatives

The process initiated for refinancing the debt maturing in 2020 is well underway. During January 2020 Höegh LNG raised NOK 650 million in a new unsecured bond loan with a five-year tenor. Together with the previously announced USD 80 million revolving credit facility secured by the company's common units in Höegh LNG Partners, the new bond loan will be used to refinance the HLNG 02 bond loan maturing in June 2020 and for general corporate purposes. The credit facility is subject to final documentation, which is expected to be completed during the first quarter of 2020.

In addition, Höegh LNG is making good progress with the refinancing of the Independence debt facility's commercial tranche (USD 61 million), maturing in May 2020.

The above-mentioned transactions and refinancing process address all Höegh LNG's debt maturities in 2020.

Distribution from Höegh LNG Partners

Höegh LNG Partners declared a quarterly distribution of USD 0.44 per unit for the fourth quarter on 16 January 2020, corresponding to an annualised distribution of USD 1.76 per unit. On 14 February 2020, Höegh LNG Holdings accordingly received USD 6.7 million in distributions and USD 0.4 million in IDRs for the fourth quarter of 2019.

Quarterly dividend of USD 0.025 per share

Höegh LNG Holdings paid a cash dividend of USD 0.025 per share in the fourth 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 first quarter of 2020. Höegh LNG shares will trade ex-dividend on 5 March 2020 and shareholders recorded in the VPS following the close of trading on Oslo Børs on 6 March 2020 will be entitled to the distribution. This will be payable on or around 19 March 2020.

Corona virus effect

The Corona virus outbreak has not had any direct effect on the company's revenues nor operations, including its FSRU in Tianjin, China, which continues to perform according to contract. However, it seems clear that the outbreak has already impacted the flow of LNG into the Chinese market, and that this affects the market for LNG carriers, since in recent weeks rates have softened considerably compared to previous levels.

Business review

Business development activity

Höegh LNG's primary objective is securing long-term FSRU contracts for all the units currently on short-term LNGC contracts by the end of 2021.

In December 2018, Höegh LNG signed a conditional 10-year FSRU charter party with AGL Energy (AGL) for its LNG import facility at Crib Point in the state of Victoria, Australia. The Environment Effects Statement (EES) process being undertaken by the Victorian government is ongoing. Subject to and following the EES approval, AGL expects to reach FID. If FID is achieved, the first gas is expected in H1 2022. Höegh Esperanza is allocated to this project.

The FSRU charter party with Australia Industrial Energy (AIE) for its Port Kembla Gas Terminal in New South Wales is close to completion, and the project reports good progress with respect to the other contracts it needs to complete before taking the FID. The application to increase the terminal's import volumes is a signal of the strong level of demand from its clients. Höegh LNG secured exclusivity to supply the FSRU to the Port Kembla Gas Terminal in 2018, and once the FID is achieved, the first gas is expected relatively soon thereafter. Höegh Galleon is allocated to this project, and the FSRU charter party is conditional on AIE taking the FID.

Additionally, Höegh LNG has exclusivity on a FSRU project in the Indian subcontinent and, as mentioned in the Q3 2019 report, the company is also in a formal tender process for another FSRU project in the same region. Both projects are making progress on permitting and securing gas sales agreements. Both identify high levels of demand which Höegh Gannet with its one billion cubic feet per day (bcfd) of send-out capacity is uniquely qualified to service.

Höegh LNG is also involved in a formal tender process in Latin America. This process, like the tender process in the Indian subcontinent, is expected to short-list FSRU suppliers in the near future with a view to finalising contracts and reaching an FID during 2020.

In addition to those listed above, Höegh LNG has a healthy pipeline of projects at various stages of development. China, having unbundled its pipeline system and certain LNG import terminals, continues to offer significant market potential, despite the near-term effects of the Corona virus outbreak. Europe is also developing a need for further FSRUs owing to the competitive LNG price and the depth of the gas market in the region.

Environment, Sustainability and Governance (ESG)

Höegh LNG devotes continuous attention to ESG and reports on this in accordance with the Global Reporting Initiative Standards in its annual report.

Safe and reliable operations of the company's fleet is of key importance and is demonstrated by a very strong record of technical availability and few lost-time injuries (LTIs) onboard. The group's technical availability was 99.5%, while the lost-time injury frequency was 0.31 in 2019.

Technical availability of fleet and safety performance

	2019	2018	2017	2016	2015
Technical availability	99.5 %	99.8 %	99.8 %	99.9 %	100.0 %
Lost time injury frequency ¹⁾	0.31	0.00	0.38	0.00	0.73

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

Another important objective for the group is to limit its environmental footprint through efficient operation. The fleet is mainly operated by using LNG for propulsion and power generation. Since LNG has virtually no SOx emissions when consumed, HLNG's fleet was compliant with the new IMO 2020 emission regulations before they were implemented.

The group's CO₂ emissions from its fleet depend on the type of operations (FSRU mode versus LNGC mode) and the energy needed to operate in these modes at any given time. The group is continuously working to improve its energy efficiency through initiatives seeking to reduce fuel consumption and thereby also reduce its CO₂ emissions. These initiatives may include design developments for newbuilds as well as modifying existing vessels. On the latest newbuilt FSRU, the regasification plant was redesigned and located at the lower forward part of the vessel to reduce the energy consumed in pumping seawater up and through the regas unit. This modified solution is expected to give savings in the power needed for operating the regasification system compared with previous designs.

Another example is an ongoing project with Equinor, the charterer of Arctic Princess, to consider installing a hull air lubrication system on the vessel, designed to reduce frictional resistance thus creating savings on propulsion power required. A value engineering study is currently underway.

The group joined the Getting to Zero Coalition in 2019, an alliance of more than 100 companies and organisations in the maritime, energy, infrastructure and finance sectors supported by key governments and IGOs. This coalition is committed to developing commercially viable deep-sea vessels powered by zero-emission fuels by 2030.

Market

Global LNG trade continued to grow in the fourth quarter of 2019. LNG volumes traded reached 95.2 million tonnes, up by 9% from the same period of 2018. YTD, total global LNG trade increased to 360.6 million tonnes, corresponding to an annual growth rate of 12%. Europe and China were the main demand drivers behind the volume growth, with a combined increase in imported LNG volumes which surpassed the total volume growth in the market.

The rise in Chinese LNG imports slowed during the second half of 2019 compared with the first half but was still a healthy 14% for 2019 as a whole. Since the annual growth rate in LNG imports for the three preceding years ranged from 37% to 44%, the increase seen in 2019 occurred from a higher base.

European LNG imports set fresh volume records for every month in 2019, bringing total imports of LNG to 89.2 million tonnes for the year. This is equal to a 2019 growth rate of 67%. Since new supplies of LNG came online faster than Asian demand could absorb them, Europe became the market which could take advantage of the low LNG prices.

Low LNG prices have a positive effect on demand for LNG, as can be seen by the significant increase in LNG imports into Europe in 2019, effectively leading to all major LNG import terminals in Europe operating close to or at full capacity in Q4 2019. Owing to the low LNG prices, the strong European demand growth for LNG is expected to continue, increasing the demand for import facilities. This should support the demand for additional FSRUs in the region, due to the short time to the market.

During the year, total sanctioned capacity for new liquefaction projects reached 70.4 million tonnes per annum. This is the highest level of FIDs for liquefaction capacity ever seen. The previous record was set in 2005, when around 50 million tonnes per annum were sanctioned. The FIDs in 2019 will secure continued growth in the LNG volumes coming to market from 2024-2025 onwards. Of the liquefaction FIDs made in 2019, 43 million tonnes in annual capacity were sanctioned without long-term offtake contracts. With no need to sell the LNG production on a firm basis to third parties before taking the FID, project timelines can be shortened. Another benefit is the opportunity to take advantage of possible LNG price increases in the future. This marketing strategy represents in part a response to a change in LNG buyers' needs, since the increasing demand for shorter-duration and smaller-volume contracts are better met through this model.

In addition to record levels of FIDs, a record was set in 2019 for liquefaction capacity reaching its commercial start at 38.8 million tonnes per annum. Most of the volumes coming on stream in 2019 were from the USA, which will also be the case in 2020.

By the end of 2019, 35 FSRUs were on the water (excluding two smaller barges). Of these, 27 are committed on FSRU contracts and eight are available and/or trading as LNGCs. Six purpose-built and one converted FSRUs are on order.

Five LNG import projects announced in 2019 that they would employ FSRUs, and three awarded firm FSRU contracts.

Outlook

Given the strong increase in liquefaction capacity coming online in the coming years, LNG prices are expected to stay low for the foreseeable future. With the market already long on supplies, this will benefit the buyers. Low LNG prices are also positive from an environmental perspective, as fuel switching from coal and oil to gas becomes more financially viable.

Höegh LNG's main commercial focus is to secure long-term FSRU employment for the units currently working as LNGCs. It operates in a market with solid demand for LNG, and with a well-proven track record in building and operating FSRUs and associated facilities, as well as strong technological experience and capabilities, the group continues to compete for the most attractive floating regasification projects.

Höegh LNG Partners has declared the option to lease back Höegh Gallant to Höegh LNG Holdings for about five years from expiry of the existing charter. Höegh LNG Holdings is therefore currently seeking new employment for both Höegh Gannet and Höegh Gallant, which will be redelivered from their existing charters in March and April 2020, respectively. The vessels will be employed on new interim LNGC charters before long-term FSRU contracts are completed from ongoing tenders and the company expects these interim contracts to be in place shortly.

The Corona virus outbreak has had a severe impact on the global energy and commodity markets and appears to have temporarily reduced volumes of LNG imported to China. Coupled with higher winter temperatures in Asia, and low LNG prices closing the inter-basin arbitrage, this has put downward pressure on the LNG carrier market rates. This will likely impact the revenues from Höegh Giant's index-linked charter. The adverse market sentiment could also affect revenues for Höegh Gannet and Höegh Gallant depending on rate levels achieved for their new interim LNGC charters.

Moreover, the results in the first quarter of 2020 are expected to be negatively impacted by 15-20 days off-hire for Höegh Galleon owing to a planned minor upgrade of the vessel.

INTERIM CONSOLIDATED STATEMENT OF INCOME

USD'000	Note	Unaudited Q4 2019	Unaudited Q3 2019	Unaudited Q4 2018	Unaudited 2019	Audited 2018
Time charter revenues		87 740	76 978	116 530	314 902	332 214
Management and other income		2 880	1 363	1 795	6 162	6 482
Share of results from investments in associates and joint ventures		3 570	3 824	4 018	15 074	13 966
Total income		94 189	82 166	122 343	336 137	352 662
Charterhire expenses		-	-	(8 906)	-	(35 332)
Bunker and other voyage related expenses		(12)	(300)	(763)	(348)	(3 638)
Operating expenses		(21 191)	(16 423)	(18 029)	(72 309)	(59 282)
Project administrative expenses		(5 511)	(3 859)	(5 071)	(17 989)	(18 388)
Group administrative expenses		(5 644)	(4 102)	(5 919)	(20 466)	(20 827)
Business development expenses		(1 999)	(1 607)	(2 250)	(7 759)	(7 529)
Operating profit before depreciation and amortisation (EBITDA)	4	59 832	55 875	81 405	217 266	207 666
Depreciation		(28 073)	(26 697)	(17 034)	(107 341)	(55 458)
Impairment		(1 551)	-	-	(1 551)	(9 006)
Operating profit after depreciation and impairment		30 209	29 178	64 371	108 374	143 202
Interest income		946	851	1 025	4 071	2 780
Interest expenses		(26 051)	(23 434)	(16 817)	(93 739)	(61 376)
Income from other financial items		880	497	100	1 262	1 301
Expenses from other financial items		(893)	(1 655)	(1 767)	(5 667)	(5 503)
Net financial items		(25 119)	(23 741)	(17 458)	(94 074)	(62 798)
Profit before tax for the period		5 090	5 437	46 915	14 300	80 404
Corporate income tax		(1 098)	(2 273)	(1 932)	(6 253)	(8 396)
Profit for the period		3 992	3 164	44 983	8 047	72 008
Profit for the period attributable to (from):						
Equity holders of the parent		(5 973)	(7 406)	34 587	(29 651)	32 363
Non-controlling interests		9 966	10 570	10 396	37 699	39 644
Total		3 992	3 164	44 983	8 047	72 008
Earnings per share attributable to equity holders of the parent during the period:						
Basic and diluted earnings per share		(0,08)	(0,10)	0,45	(0,39)	0,43

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD'000	Note	Unaudited Q4 2019	Unaudited Q3 2019	Unaudited Q4 2018	Unaudited 2019	Audited 2018
Profit (loss) for the period		3 992	3 164	44 983	8 047	72 008
Items that will not be reclassified to profit or loss						
Net gain (loss) on other capital reserves		30	-	437	32	437
Items that may be subsequently reclassified to profit or loss						
Net gain (loss) on hedging reserves		9 243	(13 575)	(22 656)	(53 807)	3 298
Share of other comprehensive income (loss) from associates and joint ventures		6 180	(3 164)	(5 887)	(7 496)	12 849
Other comprehensive income (loss) for the period net of tax	7	15 452	(16 739)	(28 106)	(61 271)	16 584
Total comprehensive income (loss)		19 444	(13 575)	16 877	(53 224)	88 592
Total comprehensive income attributable to (from):						
Equity holders of the parent		5 264	(21 366)	10 349	(81 704)	42 562
Non-controlling interests		14 180	7 791	6 528	28 480	46 030
Total comprehensive income (loss)		19 444	(13 575)	16 877	(53 224)	88 592

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	Unaudited	Unaudited	Audited
		2019	2019	2018
		31 Dec	30 Sep	31 Dec
ASSETS				
Non-current assets				
Deferred tax assets		458	374	369
Vessels and depot spares		2 100 781	2 119 811	1 907 560
Assets under construction		6 108	7 237	88 761
Right of use assets	7	192 641	200 469	-
Investments in associates and joint ventures		29 574	23 974	25 486
Other non-current financial assets		5 141	7 213	19 656
Other non-current assets		9 962	9 803	11 840
Shareholder loans		3 831	3 755	3 536
Restricted cash		17 428	17 540	17 925
Total non-current assets		2 365 925	2 390 175	2 075 133
Current assets				
Bunkers and inventories		582	568	2 726
Trade and other receivables		38 352	50 998	54 670
Other current financial assets		1 775	917	7 771
Investment in marketable securities		110	95	-
Restricted cash		8 117	8 048	6 523
Cash and cash equivalents		186 978	170 205	157 954
Total current assets		235 913	230 831	229 644
TOTAL ASSETS		2 601 838	2 621 006	2 304 777
EQUITY AND LIABILITIES				
Equity				
Share capital		773	773	773
Other paid-in capital		556 044	556 157	554 660
Capital reserves		(76 897)	(88 135)	(24 844)
Retained earnings		(83 590)	(75 069)	(30 258)
Equity attributable to equity holders of the parent		396 330	393 724	500 330
Non-controlling interests		299 760	286 244	286 667
Total equity		696 088	679 968	786 999
Non-current liabilities				
Deferred tax liability		12 098	11 855	10 030
Non-current interest-bearing debt	6	1 285 454	1 304 119	1 059 506
Non-current lease liability	7	162 170	168 366	-
Investments in joint ventures		5 215	9 739	9 079
Other non-current financial liabilities		45 681	58 248	10 108
Deferred revenues		2 164	2 362	2 034
Total non-current liabilities		1 512 783	1 554 688	1 090 757
Current liabilities				
Current interest-bearing debt	6	296 213	296 213	373 682
Current lease liabilities	7	34 764	35 212	-
Income tax payable		3 292	3 215	3 611
Trade and other payables		21 404	14 594	18 358
Other current financial liabilities		17 841	19 789	9 521
Other current liabilities		19 453	17 327	21 849
Total current liabilities		392 967	386 351	427 021
TOTAL EQUITY AND LIABILITIES		2 601 838	2 621 006	2 304 777

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000	Unaudited Q4 2019	Unaudited Q3 2019	Unaudited Q4 2018	Unaudited 2019	Audited 2018
Cash flow from operating activities					
Profit before tax for the period	5 090	5 437	46 915	14 300	80 404
<i>Adjustments to reconcile profit before tax to net cash flows</i>					
Depreciation	28 073	26 697	17 034	107 341	55 458
Impairment	1 551	-	-	1 551	9 006
Fair value adjustments on marketable securities	(15)	5	-	(10)	(752)
Interest income	(946)	(851)	(1 025)	(4 071)	(2 780)
Interest expenses	26 051	23 434	16 817	93 739	61 376
Net loss (income) on interest rate hedges	(129)	(18)	(101)	918	(549)
Share-based payment cost and Board remuneration not paid-out	317	373	346	1 483	1 867
Share-based payment settled in cash	(573)	-	-	(573)	-
Share of results from investments in associates and joint ventures	(3 570)	(3 824)	(4 018)	(15 074)	(13 966)
<i>Working capital adjustments</i>					
Change in inventories, receivables and payables	21 068	(746)	(22 573)	28 319	(16 302)
Payment of corporate income tax	762	(584)	(1 185)	(2 339)	(3 585)
i) Net cash flow from operating activities	77 679	49 923	52 210	225 586	170 177
Cash flow from investing activities					
(Investments) proceeds from sale of marketable securities	-	(100)	-	(100)	74 774
Investments in FSRUs, new buildings and dry- and afloat docking	(2 051)	(170 706)	(179 457)	(183 168)	(419 542)
Investment in intangibles, equipment and other	(679)	(488)	(441)	(1 878)	(2 116)
Investments in associates	(375)	-	(24 750)	(375)	(24 750)
Interest received	525	454	545	2 311	1 911
Repayment of shareholder loans	-	-	-	-	(71)
ii) Net cash flow from investing activities	(2 580)	(170 840)	(204 103)	(183 210)	(369 794)
Cash flow from financing activities					
Net proceeds from equity issuance (HMLP)	10 343	1 403	4 738	14 092	43 223
Dividend paid to non-controlling interest (HMLP)	(11 507)	(11 305)	(11 244)	(45 354)	(44 318)
Dividend paid to shareholders of the parent	(1 905)	(1 905)	(1 901)	(7 620)	(7 597)
Proceeds from borrowings	-	228 549	175 000	548 549	375 000
Payment of debt issuance costs	(716)	(1 820)	(7 556)	(9 242)	(7 556)
Repayment of borrowings	(25 752)	(23 541)	(21 478)	(395 131)	(82 788)
Lease payments	(9 274)	(9 257)	-	(36 714)	-
Interest paid	(21 655)	(19 709)	(17 358)	(76 499)	(67 500)
(Increase) decrease in restricted cash and cash collateral	2 140	(3 687)	(2 794)	(5 432)	(3 833)
iii) Net cash flow from financing activities	(58 326)	158 728	117 407	(13 351)	204 630
Net increase/(decrease) in cash and cash equivalents (i+ii+iii)	16 773	37 811	(34 486)	29 025	5 013
Current cash and cash equivalents at the beginning of the period	170 205	132 394	192 439	157 954	152 940
Current cash and cash equivalents at the end of the period	186 978	170 205	157 954	186 978	157 954

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

USD'000	Attributable to equity holders of the parent										
	<i>Paid-in capital</i>				<i>Capital reserves</i>			Retained earnings	Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves					
At 1 January 2019	773	447 035	(12)	107 637	(22 050)	(2 794)	(30 258)	500 330	286 667	786 997	
Profit (loss) for the period							(29 651)	(29 651)	37 699	8 047	
Other comprehensive income (loss)					(52 053)			(52 053)	(9 218)	(61 271)	
Total comprehensive income (loss)	-	-	-	-	(52 053)	-	(29 651)	(81 704)	28 480	(53 224)	
HMLP dividend to non-controlling interests								-	(45 354)	(45 354)	
Net proceeds from issuance of common units				472				472	557	1 029	
Net proceeds from issuance preferred units									13 065	13 065	
Shares granted to the board of HLNG		90	-					90	-	90	
Units granted to the board of HMLP								-	195	195	
Dividend to shareholders of the parent							(7 620)	(7 620)	-	(7 620)	
Share-based payment		531	1	290	-	-	-	822	88	910	
Capital contribution to/from HMLP							34	34	(34)	-	
Transfer of assets to HMLP (Note 5)							(16 096)	(16 096)	16 096	-	
Total other transactions recognised directly in equity	-	621	1	762	-	-	(23 681)	(22 297)	(15 388)	(37 685)	
At 31 December 2019 (unaudited)	773	447 656	(11)	108 399	(74 103)	(2 794)	(83 590)	396 329	299 760	696 088	

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

USD'000	Attributable to equity holders of the parent										
	<i>Paid-in capital</i>				<i>Capital reserves</i>			Retained earnings	Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves					
At 1 January 2018	772	446 945	(12)	105 400	(32 345)	(2 794)	(38 486)	479 480	225 758	705 238	
Profit (loss) for the period							32 363	32 363	39 644	72 008	
Other comprehensive income / (loss)					10 198			10 198	6 385	16 584	
Total comprehensive income	-	-	-	-	10 198	-	32 363	42 562	46 030	88 592	
Capital contribution to/from HMLP							352	352	(352)	-	
HMLP dividend to non-controlling interests								-	(44 318)	(44 318)	
Net proceeds from issuance of common units				876	90			966	3 597	4 563	
Net proceeds from issuance of Series A Preferred Units									38 659	38 659	
Shares granted to the board of HLNG	1	90						90	-	90	
Units granted to the board of HMLP				34	6			40	160	200	
Dividend to shareholders of the parent							(7 604)	(7 604)	-	(7 604)	
Share-based payment				1 327				1 327	250	1 577	
Onerous contract							(18 213)	(18 213)	18 213	-	
Transfer of assets to HMLP (Note 5)							1 330	1 330	(1 330)	-	
Total other transactions recognised directly in equity	1	90	-	2 237	96	-	(24 135)	(21 712)	14 879	(6 833)	
At 31 December 2018 (audited)	773	447 035	(12)	107 637	(22 050)	(2 794)	(30 258)	500 330	286 667	786 997	

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 company limited by shares 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 26 February 2020.

The number of issued shares for the year ended 31 December 2019 was 77 260 580, of which 1 056 553 were held in treasury. The number of outstanding shares on 31 December 2019 was 76 204 027.

2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ending 31 December 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 December 2019, the company held 45.84% 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.

Subsidiaries: claims and provisions

In the third quarter of 2019, the Indonesian subsidiary in HMLP was notified of an examination for property taxes by the Indonesian tax authorities for the period 2015-2019, and during fourth quarter of 2019 it received a tax claim of USD 3.0 million related to this tax for the said period. At 31 December 2019 a provision has been made in full for the claimed tax amount.

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. 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.

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 available information, it was 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 remained in the evaluation of the potential outcome of the boil-off claim.

On 14 June 2019, the charterer served an updated claim submission for approximately USD 54 million to the tribunal, incorporating claims for the second performance period and certain other claims. The owners did not agree with the charterer's claims or their interpretation of the deduction to the gross claim in accordance with the tribunal's determination.

The joint ventures assessed the additional information available and updated the estimates for the potential range of outcomes for the periods ended 31 March 2019, 30 June 2019 and 30 September 2019. As of each of these dates, the joint ventures concluded the recorded provision continued to be the best estimate within the range.

The charterer and the owners have continued discussions with the objective of reaching a negotiated solution to settle the boil-off dispute. In February 2020, they reached a commercial agreement addressing all past and future claims related to boil-off with respect to the Neptune and the Cape Ann, in the context of Total's efforts to deploy these vessels as FSRUs in projects under development. The settlement amount is in line with the provision made by the joint ventures in 2017. Accordingly, the accrual was unchanged as of 31 December 2019. The settlement reached is subject to executing final binding agreements between the parties and necessary boards' and lenders' approvals which are expected to be finalized and signed during April 2020. Among other things, the settlement provides that:

- 1) the boil-off claim, up to the signature date of the settlement agreements, will be settled for an aggregate amount of USD 23.7 million, paid in instalments during 2020,
- 2) the costs of arbitration will be equally split between the parties; each party will settle its legal and other costs,
- 3) the joint ventures have or will implement technical upgrades on the vessels at their own cost to minimize boil-off, and
- 4) the relevant provisions of the time charters will be amended regarding the computation and settlement of future boil-off claims.

Höegh LNG Holdings will indemnify Höegh LNG Partners for its share of the cash impact of the settlement, the arbitration costs and any legal expenses, any necessary technical modifications of the vessels and any prospective boil-off claims or other direct impacts of the settlement agreements.

In 2002, two UK finance 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 Höegh (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

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, Höegh Gannet, Höegh Galleon and the LNGCs Arctic Princess and Arctic Lady. The segment comprises revenues and expenses related to FSRUs and LNGCs in operation 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	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Income statement										
Time charter revenues	40,4	39,2	47,4	77,4	-	-	-	-	87,7	116,5
Management and other income	0,2	0,5	2,4	1,3	0,2	(0,0)	(0,0)	(0,0)	2,9	1,8
Share of results from inv. in JVs and associates	2,4	2,9	1,1	1,1	-	-	-	-	3,6	4,0
TOTAL INCOME	43,0	42,6	50,9	79,8	0,2	(0,0)	(0,0)	(0,0)	94,2	122,3
Charterhire expenses	-	-	-	(8,9)	-	-	-	-	-	(8,9)
Bunker and other voyage related expenses	-	0,1	(0,0)	(0,8)	-	-	-	-	(0,0)	(0,8)
Operating expenses	(9,7)	(7,8)	(11,4)	(9,6)	(0,0)	(0,6)	-	-	(21,2)	(18,0)
Project administrative expenses	(0,8)	(0,6)	(3,7)	(3,1)	(1,0)	(1,3)	-	-	(5,5)	(5,1)
Group administrative expenses	(1,8)	(1,2)	-	-	-	-	(3,9)	(4,7)	(5,6)	(5,9)
Business development expenses	-	-	-	-	(2,0)	(2,3)	-	-	(2,0)	(2,3)
Operating profit (loss) before depreciation and amortisation EBITDA	30,7	33,0	35,8	57,3	(2,8)	(4,2)	(3,9)	(4,7)	59,8	81,4

(USD million)	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income statement										
Freight revenues	153,0	152,3	161,9	179,9	-	-	-	-	314,9	332,2
Management and other income	0,3	1,8	5,4	4,7	0,4	0,0	(0,0)	0,0	6,1	6,5
Share of results from inv. in JVs and associates	10,9	9,0	3,9	5,0	-	-	-	-	15,0	14,0
TOTAL INCOME	164,2	163,1	171,1	189,6	0,4	0,0	(0,0)	0,0	336,1	352,7
Charterhire expenses	-	-	-	(35,3)	-	-	-	-	-	(35,3)
Bunker and other voyage related expenses	(0,2)	0,0	(0,2)	(3,7)	-	-	-	-	(0,3)	(3,6)
Operating expenses	(30,8)	(25,0)	(40,8)	(32,3)	(0,7)	(1,8)	-	-	(72,3)	(59,3)
Project administrative expenses	(3,0)	(2,9)	(10,9)	(11,1)	(4,0)	(4,3)	-	-	(17,9)	(18,4)
Group administrative expenses	(6,4)	(5,7)	-	-	-	-	(14,1)	(15,1)	(20,5)	(20,8)
Business development expenses	-	-	-	-	(7,8)	(7,5)	-	-	(7,8)	(7,5)
EBITDA	123,8	129,5	119,2	107,2	(12,0)	(13,6)	(14,1)	(15,1)	217,3	207,7

ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS AT 31 DECEMBER

(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										
Invest. in vessels, depot spares and RoU assets	779,6	801,4	1 513,9	1 106,2	-	-	-	-	2 293,4	1 907,6
Assets under construction	-	-	-	-	6,1	88,8	-	-	6,1	88,8
Liabilities										
Interest-bearing debt incl. lease liability	457,1	433,4	1 021,5	698,9	-	-	300,0	300,9	1 778,6	1 433,2

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 FOR 2019 AND Q4 2019

(USD million)	HMLP 2019	Operations 2019	Total 2019	HMLP Q4 2019	Operations Q4 2019	Total Q4 2019
Lease revenues	61,7	144,6	206,3	15,5	43,7	59,2
Time charter service revenues, excluding amortization	91,3	15,2	106,5	24,8	3,0	27,8
Amortisation of deferred revenue for dry-docking	0,0	2,1	2,1	0,0	0,7	0,7
Total time charter revenues	153,0	161,9	314,9	40,4	47,4	87,7

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 1.4 million in the fourth quarter of 2019 (USD 1.3 million in the third quarter of 2019). 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 had to be exercised before expiry of the charter with Egas and was declared by HMLP on 26 February 2020. At 31 December 2019, the company considered it likely that the option would be exercised and maintained the provision made in previous periods 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 does not generally affect the allocation of profit between non-controlling interests and the equity holders of the company in the consolidated accounts.

6. COMMITMENTS AND FINANCING

Following the delivery of Höegh Galleon in the third quarter of 2019, the group has no further capital commitments for newbuilds.

Höegh LNG has made an investment commitment to Avenir LNG for up to USD 45.5 million. Following the private placement conducted by Avenir 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 2020. In April 2019, the company issued a guarantee of USD 11.7 million in connection with a shipbuilding contract signed by Avenir. In addition, the main shareholders of Avenir have issued guarantees/counter-guarantees related to shipbuilding contracts signed by Avenir. These guarantees are for an original total amount of approximately USD 120 million (plus change orders and interests), for which the company would be liable on a joint and several basis. The three main shareholders have entered into counter-indemnity agreements for the said guarantee obligations, so that the company's net liability for a claim would be equal to its pro rata shareholding in Avenir at the time of any claim being raised. Lastly, the main shareholders of Avenir have issued non-binding letters of comfort related to the final payment instalments under shipbuilding contracts signed by Avenir.

The group had contractual purchase commitments in the range of USD 10 to 12 million as of 31 December 2019. These commitments are primarily related to certain regasification equipment and depot spares on order, installation of an emissions control system (SCR) on Höegh Galleon and implementation of a new enterprise resource planning system.

Total available liquidity at 31 December 2019 was USD 202 million, including USD 15 million available under the USD 63 million revolving credit facility in Höegh LNG Partners LP.

If certain conditions relating to long-term employment of Höegh Giant, Höegh Esperanza and Höegh Galleon have been met within a specified time, the available amount under the respective financing facilities may be increased by up to USD 30 million, USD 30 million and USD 25.7 million respectively.

INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES 31 DECEMBER 2019

NET INTEREST-BEARING DEBT	31 Dec 2019	30 Sep 2019	30 Jun 2019
Interest-bearing debt, current and non-current	(1 778 601)	(1 803 910)	(1 619 303)
Restricted cash, non-current	17 428	17 540	17 687
Cash and marketable securities	195 205	178 348	140 421
Net interest-bearing debt	(1 565 969)	(1 608 022)	(1 461 195)

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2019	30 Sep 2019	30 Jun 2019
Equity	696 088	679 968	704 851
Hedge reserve including non-controlling interest share	104 824	120 303	103 650
Equity adjusted for hedging transactions	800 912	800 271	808 501

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2019	30 Sep 2019	30 Jun 2019
Total assets	2 601 838	2 621 006	2 436 795
Hedge assets	33 938	18 239	16 069
Total assets adjusted for hedging transactions	2 635 776	2 639 245	2 452 864
Equity adjusted for hedging transactions	800 912	800 271	808 501
Equity ratio adjusted for hedging transactions	30,4%	30,3%	33,0%

DEBT MATURITY PROFILE INCLUDING LEASE LIABILITIES 31 DECEMBER 2019

	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	76 293	15 248	15 248	15 248	38 039	160 077
PGN FSRU Lampung facility	19 062	33 522	14 886	14 886	34 665	117 022
Höegh Esperanza facility	12 500	12 500	12 500	62 500	78 125	178 125
Höegh Giant facility	12 707	12 707	133 420	-	-	158 833
Höegh Gannet facility	11 042	11 042	11 042	56 042	74 792	163 958
Bond debt	130 000	-	170 837	-	-	300 837
USD 385 million facility	25 597	25 597	25 597	25 597	246 713	349 102
Höegh Galleon facility	9 012	9 012	9 012	9 012	141 946	177 996
Interest-bearing debt outstanding	296 213	119 628	392 543	183 286	614 280	1 605 950
Debt issuance cost						(24 283)
Total interest-bearing debt	296 213	119 628	392 543	183 286	614 280	1 581 667
Lease liabilities	34 764	32 695	31 072	29 581	68 822	196 934
Total interest-bearing debt including lease liabilities	330 977	152 324	423 614	212 867	683 102	1 778 600

7. IFRS 16 – LEASES

IFRS 16 Leases was implemented by Höegh LNG on 1 January 2019. The new accounting standard covers the recognition, measurement and presentation of leases and related disclosures in the financial statements and has replaced IAS 17 Leases. IFRS 16 requires that all leases, except for short-term leases and leases of low-value assets are reflected in the balance sheet of a lessee as a lease liability and a right of use (RoU) asset. Höegh LNG has implemented the standard in accordance with the modified retrospective method with no restatement of comparable figures for 2018, which are still presented in accordance with IAS 17.

Reference is made to note 7 IFRS 16 – Leases in Höegh LNG's report for first quarter of 2019 for a detailed description of policy choices, transition alternatives and conclusions on judgmental accounting matters made when implementing the standard.

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.

The weighted average discount rate used to calculate the lease liability in the opening balance under IFRS 16 at 1 January 2019 was 5.1%.

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 at 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

During 2019 Höegh LNG made lease payments of USD 36.7 million, of which USD 10.2 million was payment of interest and USD 26.5 million was repayment of lease liabilities. Operating lease expenses amounted to USD 0.8 million and depreciation of RoU assets to USD 31.2 million. Total lease liabilities at 31 December 2019 were USD 196.9 million, presented as non-current and current lease liabilities of USD 162.1 million and USD 34.8 million respectively in the statement of financial position. RoU assets amounted to USD 192.6 million, of which USD 184.3 million related to vessels.

8. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- Dividend of USD 0.025 per share declared for the first quarter of 2020.
- Secured a revolving credit facility of USD 80 million and a new bond loan of NOK 650 million to refinance the HLNG 02 bond maturing in June 2020 and for general corporate purposes. The credit facility is subject to final documentation, which is expected to be completed during the first quarter of 2020.
- In February 2020, Höegh LNG and Total reached a commercial agreement to settle the boil-off dispute regarding Neptune and Cape Ann. The settlement amount, which will be paid by the two joint venture companies owning the vessels, is in line with the provision made in 2017 and is subject to executing final binding agreements between the parties. Höegh LNG Holdings will indemnify Höegh LNG Partners for its 50% share of the settlement amount.
- In January and February 2020, Höegh LNG Partners issued an aggregate of 82,409 Series A preferred units under its existing ATM program at an average gross sales price of USD 26.25 per unit and received net proceeds after fees and sales commissions of USD 2.1 million.
- On 26 February, HMLP declared the option to lease back Höegh Gallant to Höegh LNG Holdings for about five years, effective from expiry of Höegh Gallant's existing LNGC contract in April 2020.

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 Dec 2019	30 Sep 2019	30 Jun 2019
Interest-bearing debt, current and non-current	(1 778 601)	(1 803 910)	(1 619 303)
Restricted cash, non-current	17 428	17 540	17 687
Cash and marketable securities	195 205	178 348	140 421
Net interest-bearing debt	(1 565 969)	(1 608 022)	(1 461 195)

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2019	30 Sep 2019	30 Jun 2019
Equity	696 088	679 968	704 851
Hedge reserve including non-controlling interest share	104 824	120 303	103 650
Equity adjusted for hedging transactions	800 912	800 271	808 501

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2019	30 Sep 2019	30 Jun 2019
Total assets	2 601 838	2 621 006	2 436 795
Hedge assets	33 938	18 239	16 069
Total assets adjusted for hedging transactions	2 635 776	2 639 245	2 452 864
Equity adjusted for hedging transactions	800 912	800 271	808 501
Equity ratio adjusted for hedging transactions	30,4%	30,3%	33,0%

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	Q4 2019	Q3 2019	Q4 2018	2019	2018
Profit (loss) for the period attributable to (from):					
Equity holders of the parent	(5 973)	(7 406)	34 587	(29 651)	32 363
Basic and diluted earnings per share	(0,08)	(0,10)	0,45	(0,39)	0,43
Transfer of assets/capital contribution (to) from HMLP					
Capital contribution (to) from HMLP	-	-	-	34	352
Transfer of assets (to) HMLP	(642)	(14 804)	(18 213)	(16 096)	(18 213)
Total contributions/transfers (to) from HMLP	(642)	(14 804)	(18 213)	(16 062)	(17 861)
Adjusted profit for the period attributable to (from) equity holders of the parent	(6 615)	(22 210)	16 374	(45 713)	14 502
Adjusted basic and diluted earnings per share (USD'1)	(0,09)	(0,29)	0,21	(0,60)	0,18

APPENDIX 2 – ABBREVIATIONS

Abbreviation	Definition
ATM	At-the-market
DFDE	Dual Fuel Diesel Electric propulsion
Egas	Egyptian Natural Gas Holding Company
FID	Final investment decision
FSRU	Floating storage and regasification unit
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
Höegh LNG Holdings or the company	Höegh LNG Holdings Ltd.
VPS	Norwegian Central Securities Depository