HÖEGH LNG

THE FLOATING LNG COMPANY

ANNUAL REPORT

2011

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ANNUAL REPORT FOR HÖEGH LNG 2011

HÖEGH LNG IN BRIEF

Höegh LNG is a fully integrated floating LNG services provider, offering long-term floating production, transportation and regasification services. The Group operates a fleet of five LNG transportation vessels and two floating storage and regasification units (FSRUs). All vessels are on long term contracts to established energy companies in the global LNG value chain, generating stable and predictable cash flows. The Company has three new FSRUs on order at Hyundai Heavy Industries with scheduled delivery in 2013 and 2014, and will take delivery of a second-hand LNG transportation vessel in July 2012. In addition, the Company holds options for additional FSRUs to be delivered from Hyundai, and for the purchase of an existing LNG transportation vessel, all at attractive prices and delivery slots.

Höegh LNG has close to four decades of in-house experience in managing and operating LNG assets to the highest standard of the industry. In recent years, the Company has devoted significant time and resources in expanding the scope and range of its service offerings. Changes in the market have created significant opportunities for the Company to leverage its maritime expertise, technical skills and understanding of the gas industry, and develop new ways of bringing natural gas to the market. While Höegh LNG remains committed to traditional LNG shipping, the Company's main focus is floating LNG regasification services and it has reached far in commercialising its in-house floating production (FLNG) expertise, which is expected to be the next growth segment in the floating LNG value chain.

Höegh LNG's registered offices are located in Hamilton, Bermuda. The Company has established presence in Norway, Singapore, the UK and the US. The Group employed 351 people at the end of 2011.

Höegh LNG is listed on the Oslo Stock Exchange under the ticker code "HLNG".

VISION: Höegh LNG's vision is to become one of the world's leading providers of floating LNG services.

MISSION: Höegh LNG's mission is to develop, manage and operate the group's assets to the highest technical and commercial standards, thereby maximising benefits to customers, owners and employees.

VALUES: Innovative, competent, committed and reliable.

KEY FINANCIALS		2011	2010	2009
Total income	USD million	**110**	95	68
Operating profit before depreciation	USD million	**26**	24	8
Net profit	USD million	**(18)**	(12)	17
Equity	USD million	**133**	73	102
Net interest bearing debt (1)	USD million	**300**	359	315
Total assets	USD million	**745**	649	596
Average number of shares outstanding		**36,346,214**	26,727,389	26,705,024

(1) Net interest bearing debt is interest bearing debt less cash, marketable securities, promissory note and restricted cash.

MESSAGE FROM THE CEO

Höegh LNG reached a number of significant milestones in the past year. We ordered three new FSRUs, successfully completed an IPO and a subsequent placement on the Oslo Stock Exchange and secured employment for two FSRUs and one LNG carrier. With rising demand for gas worldwide, the Company has emerged as a leading provider of floating regasification services.

Höegh LNG has always been a pioneer in developing new services within the floating LNG value chain. In recent years the Company has focused on developing new services within floating regasification and production of LNG, alongside a continued safe and successful operation of its existing fleet of LNG carriers and FSRUs.

Recent growth within floating regasification has been driven by rising demand for LNG. The main drivers for the FSRU market are lower cost, shorter lead-time and increased technical flexibility compared to a land based solution. At present, more than 30 potential floating regasification projects in various phases of development have been identified around the world. Only three companies, including Höegh LNG, have the experience to serve this market at this time.

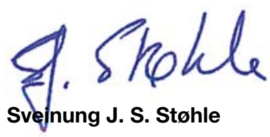
In order to meet the strong demand and secure its competitive position within floating regasification, the Company ordered two new FSRUs last spring. The units were ordered before employment was secured, as availability of vessels to meet early start-up requirements is a key success factor when tendering for projects. Höegh LNG's ambitious new-building program has already paid off. Within six months of the first FSRU orders being announced, both units were awarded long-term charters, leading the company to exercise an option for the construction of a third FSRU unit.

Höegh LNG became listed on the Oslo Stock Exchange in July 2011, and has over the past year raised a total of USD 330 million of new equity. Being stock listed has always been an integral part of the Company's long-term growth strategy, to facilitate the equity funding of its business plan. The stock performance since the IPO has provided initial investors with a healthy return and most Nordic brokerage houses have initiated research coverage of our stock.

Looking ahead, Höegh LNG sees a promising market within floating production (FLNG). In 2011, the Company was awarded an engineering study to explore the feasibility of using Höegh LNG's generic FLNG design in developing part of the Tamar gas field offshore Israel. Höegh LNG and partners also formed PNG Floating LNG Holdings Limited, to develop, own and operate a potential FLNG unit liquefying gas from Papua New Guinea's existing natural gas reserve base.

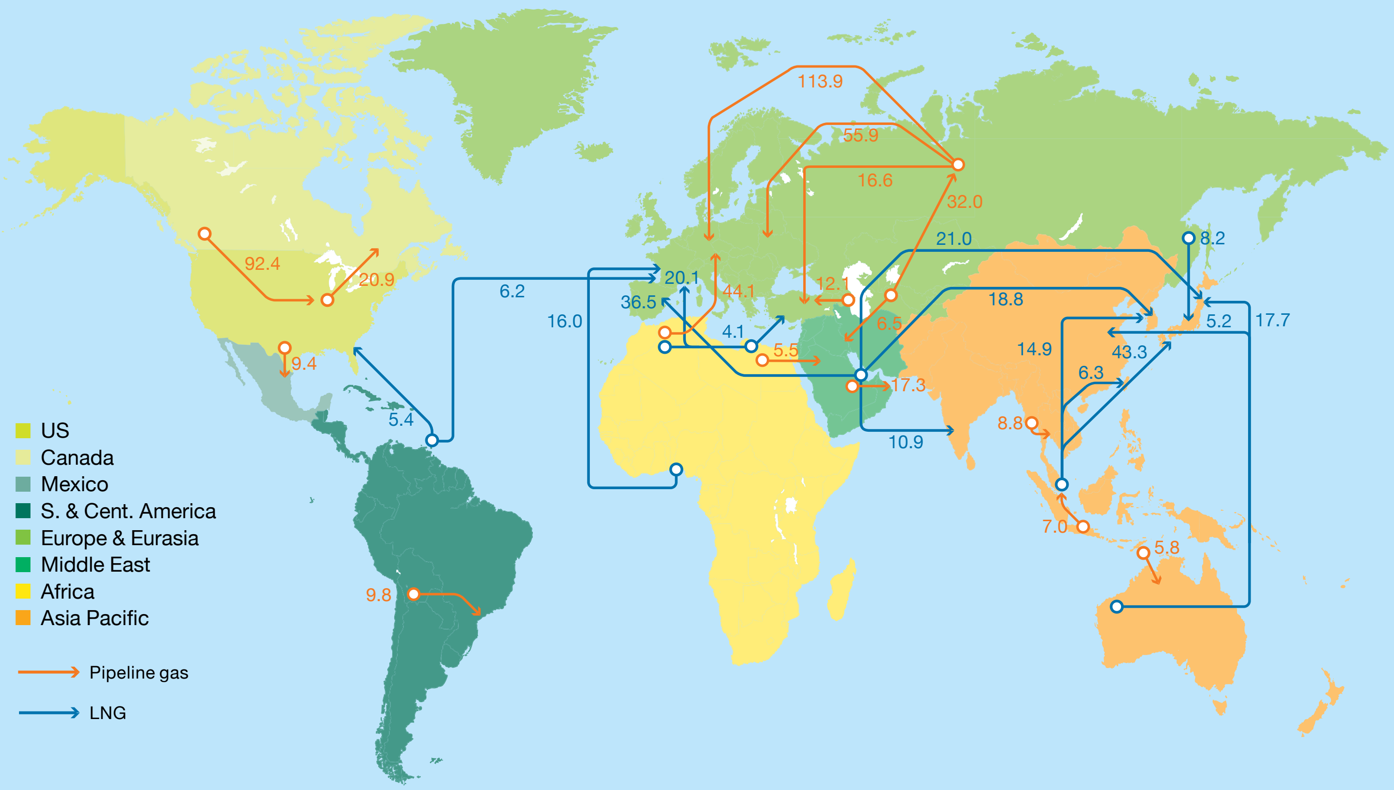
Höegh LNG believes the long term ownership of the FLNG business area should be structured and financed separately from the other businesses within the Group. The Company has in this respect initiated a process of evaluating various structural alternatives and potential partners in facilitating the realisation of its FLNG project portfolio.

The pace of Höegh LNG's development in the past year has surprised many, but is wholly consistent with the Company's long-term strategy and the rapid development of the floating LNG segment. While the precise timing of decisions in the future necessarily will be influenced by market forces, the Company will focus on completing awarded projects and to pursue new business opportunities, in line with the Company's long-term business objectives to be a leading provider of floating LNG services.



Sveinung J. S. Støhle
President and Chief Executive Officer

WORLDWIDE NATURAL GAS TRADE FLOWS (billion cubic metres)



Source: BP Statistical Review of World Energy, June 2011

THE LNG VALUE CHAIN

Natural gas is used as feed stock in electricity production, industry and home heating, and increasingly seen as an environmentally friendly and affordable alternative to coal and oil. Many nations are further looking at natural gas as an alternative to nuclear power in securing its power supply. Where transportation of natural gas to market via pipelines is impractical due to long transportation distances or remote locations of supply or demand, natural gas is converted into and transported as LNG. Over the next decade, global demand for LNG is expected to increase at an annualised rate of about 6 percent, with much of the growth occurring in the Asia Pacific region. Global liquefaction capacity is expected to rise by 5-6 percent annually over the same period, driven mostly by increased production in Australia and North America. This expected growth in demand and supply of LNG has created a strong market and good prospects for companies providing floating LNG services, like Höegh LNG.

Production: While global natural gas reserves are profuse, the current worldwide LNG supply is limited by liquefaction capacity. The current LNG production volume is approximately 260 million tons per annum, all subject to long term off-take agreements, with Qatar accounting for approximately 30 % of the supply. New capacity under development or in the planning phase represents approximately half the current capacity, most of which is expected to come on stream post 2015. Australia is expected to account for the lion’s share of the planned new liquefaction capacity, including several fields to be developed using floating LNG production facilities. Following the game changing US shale gas production, it is

further expected that LNG import facilities in the US will be converted to LNG export facilities and add to the LNG supply. Cheniere Energy has already received government approval for a conversion of its Sabine Pass LNG receiving terminal and others are expected to follow.

Transportation: A high number of new LNG carriers were delivered to the market in the period 2005 to 2010, and the fleet today stands at approximately 364 vessels. While an overall transportation capacity surplus remains, the market has tightened considerably over the last 12 months, driven by strong demand from Asian markets. This has pulled available cargoes out of the Atlantic and into the Pacific, and driven up the transportation distance. The order book of LNG carriers currently stands at 72 vessels, representing approximately 20 % of the current fleet. As new liquefaction capacity comes on stream, demand for LNG transportation services is expected to grow. While LNG demand and supply growth is expected to be highest in the Asia Pacific region, export of LNG from the US will also require substantial transportation capacity, driven by the high average shipping distance to premium markets.

Regasification: While LNG import facilities traditionally have been built onshore, floating import facilities (FSRUs) have increasingly gained acceptance, driven by the difficult and protracted nature of obtaining permissions for onshore facilities. FSRUs further stand out as less capital intensive, more flexible and with significantly shorter lead time compared to onshore regasification facilities, and are an attractive alternative for energy companies seeking cost efficient ways of bringing LNG to markets. As demand for LNG increases, demand for floating regasification services is expected to increase accordingly. At present, more than 30 potential floating regasification projects in various phases of development have been identified world wide, most of which are located in Asia and South America. Longer term, Europe is expected to see an increasing number of floating regasification projects. The current fleet of FSRUs totals 14 units, while the order book stands at six vessel, of which three are designated for specific projects.

Source: Swedbank First Securities / Bloomberg

TRANSPORTATION SERVICES

With almost four decades of proven experience in LNG transportation, Höegh LNG is recognised as a pioneer and quality provider of LNG transportation services. In addition to the two floating storage and regasification units, the Group operates a fleet of five LNG carriers, with a sixth vessel joining the fleet in July 2012. The transportation business is based mainly on long-term contracts with first class international energy companies, like Total, Statoil, Gas Natural and Repsol.

Höegh LNG operates advanced vessels in an industry subject to increasingly strict regulations. This is perceived as a positive development for Höegh LNG as the fleet management and vessel operation services are provided by in house resources ensuring that all vessels are operated to the highest standards for safety, environmental performance, and operational reliability. Maintenance and technical standards are continuously monitored by the shore-based organisation and implemented on-board by the Company's staff of highly skilled seafarers. The maritime personnel department ensures that our assets are sufficiently manned with officers and crew having the required competence and training. The Company's focus on health, safety, environment and quality management ensures that the vessels are maintained at the highest standard. Our Quality Management System is based on the principle of continuous development and improvement.

Competition for qualified seafarers is fierce, and having access to the right resources is a key success factor for operators of LNG vessels. Höegh LNG is actively training and maintaining its staff of skilled, dedicated and experienced seafarers world wide. Its multi-cultural crew members include Norwegian, Croatian, U.S. and Filipino citizens, who safely load and deliver LNG to ports throughout the world. The fleet management team within Höegh LNG has developed long-term strategies and alliances in securing access to skilled seafarers, and is pleased to note that the turnover rate among seafarers within Höegh LNG is well below industry standards.

Going forward, Höegh LNG has identified new opportunities in the LNG transportation market, driven by new LNG liquefaction capacity coming on stream and increased sailing distances. The Company is continuously evaluating the market, and is well positioned to take advantage of the such opportunities, both short and long term. The Company has an option to acquire new transportation tonnage with favourable delivery dates, and will most likely also during the year see one of its existing vessels extend its current charter at favourable terms.

Liquefied natural gas (LNG) is natural gas cooled down to -163 degrees Celsius by which the gas becomes liquid. By liquefying the natural gas the volume shrinks 600 times, thus making it cost efficient to transport over long distances. Natural gas mainly consists of methane and is used for heating, cooking and power generation purposes.

FLOATING REGASIFICATION

Höegh LNG offers floating storage and regasification services to established energy companies world wide. The Company owns and operates two FSRUs under long-term time charter agreements with GDF Suez, has three under construction at Hyundai Heavy Industries scheduled for delivery late 2013 and early 2014, and holds options for additional FSRUs to be delivered from Hyundai.

The FSRUs under construction have a storage capacity of 170,000 cubic meters and technical specifications suitable for most FSRU tenders. The vessels provide operational advantages to clients which existing FSRUs or conversion candidates cannot match, relating to storage size, energy efficiency and state of the art technology. While conversion of older LNG transportation vessels have been the solution for some projects in the past, new built FSRUs are now considered the preferred solution for the above mentioned reasons.

The FSRUs under construction were ordered before employment was secured, as availability of vessels to meet early start-up requirements is a key success factor when tendering for FSRU projects. Two of the vessels have secured employment as of February 2012 and will be employed as floating import terminals in Indonesia and Lithuania, respectively. The vessels

will be employed under long-term charter agreements with the domestic energy companies Perusahaan Gas Negara and Klaipedos Nafta, respectively. The projects are scheduled to commence operation in 2014 and are expected to contribute substantially to the operating profit of the Group.

Demand for LNG is mainly driven by increased electricity production, the shift in feed stock at existing power plants from oil and coal to natural gas, and the need for an alternative source of energy in securing a nation's energy supply. While incremental demand for LNG is expected to come from Asia, South America and Europe, supply is expected to come from planned liquefaction facilities primarily in Australia and North America.

With energy companies seeking cost effective LNG import solutions, demand for FSRU services is expected to continue increasing. An FSRU allows energy companies easier and faster access to markets, and a flexible and less capital-intensive import solution compared to onshore facilities. At present, more than 30 potential floating regasification projects in various phases of development have been identified around the world. Höegh LNG is currently one of only three service providers with a proven track record in floating regasification.

FSRU is a floating LNG import terminal moored offshore or to a jetty allowing energy companies to store and regasify LNG close to markets with limited impact on land. An FSRU avoids costs associated with building large, shore based storage and regasification facilities, and can easily be moved. An FSRU can be operated as a floating LNG import terminal receiving LNG from conventional LNG carriers by way of ship-to-ship transfers, or as a conventional trading ship transporting and regasifying its own cargo.

FLOATING LNG PRODUCTION

Floating LNG production solutions (FLNG) are considerably less expensive than onshore production solutions, and enable energy companies to explore gas fields too small to warrant a full scale onshore development or where the distance to shore is prohibitive. An FLNG solution can further facilitate an early monetization of larger gas reserves, as it takes considerably less time to build compared to onshore solutions. An FLNG is built in a controlled environment at a shipyard and shipped to the field for commissioning, with a lead time of approximately four years, depending on capacity.

A number of oil companies and independent service providers have over the past decade committed substantial capital to bringing the FLNG concept towards reality. Höegh LNG has invested more than 300,000 engineering man-hours in developing its own FLNG design, which has been certified (Approval in Principle) by Det Norske Veritas, a leading international classification society. Shell announced last year a final investment decision to employ an FLNG for the Prelude gas field offshore Australia. This is the first FLNG to be built and the decision by Shell represents a watershed moment for the FLNG industry.

In 2011, Höegh LNG was awarded a pre-FEED study for an FLNG solution for gas export from the Tamar

gas field offshore Israel. While the field is being developed for domestic use based on a sub-sea gas production system, a potential FLNG is being considered for export purposes. The engineering scope might be extended to cover a project specific FEED, and if a final investment decision is made, the intention is that Höegh LNG and selected partners shall own and operate the FLNG. In 2011, Höegh LNG and partners also formed PNG Floating LNG Holdings Limited for the purpose of owning and operating an FLNG for LNG export from land based gas reserves in Papua New Guinea (PNG). The company has received an approval in principle from the PGN government to employ an FLNG in the Papua New Guinea basin.

Due to the capital intensive nature of the FLNG business, Höegh LNG believes the long term ownership of this business area should be structured and financed separately from the Company's other businesses. The Company has in this respect initiated a process of evaluating various structural alternatives and potential partners in facilitating the realisation of its FLNG project portfolio.

An FLNG enables energy companies to monetize gas fields that are located far from existing infrastructure (pipelines, gas processing, onshore LNG export facilities, etc.) or where the cost of installation of on-shore infrastructure is not competitive. It also enables LNG projects to go ahead more quickly as an FLNG will be constructed in a controlled environment at the shipyard and then floated to the offshore gas field.

MANAGEMENT

SVEINUNG J. STØHLE (born 1958)

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr Støhle serves as President and Chief Executive Officer of the Group through his employment with Höegh LNG AS. He has more than 25 years of experience from the LNG industry with both shipping and oil and gas companies. He has held positions as President of Total LNG USA, Inc., Executive Vice President and Chief Operating Officer of Golar LNG Ltd., General Manager Commercial of Nigeria LNG Ltd. and various management positions with Total. He is a Norwegian citizen and resides in Norway.

STEPHAN TSCHUDI-MADSEN (born 1957)

CHIEF OPERATING OFFICER

Mr. Tschudi-Madsen serves as Chief Operating Officer of the Group through his employment with Höegh LNG AS. He has served Höegh companies for 25 years and played a key role in the development of the LNG activity over several years. He is a Norwegian citizen and resides in Norway.

STEFFEN FØREID (born 1968)

CHIEF FINANCIAL OFFICER

Mr. Føreid serves as Chief Financial Officer of the Group through his employment with Höegh LNG AS. He has previously served as acting CFO of Grenland Group ASA, and worked within group business development at Aker Kværner ASA and corporate lending and M&A at J.P. Morgan Chase. He is a Norwegian citizen and resides in Norway.

GUNNAR KNUTSEN (born 1958)

SENIOR VICE PRESIDENT, FLOATING LNG PRODUCTION

Mr. Knutsen is a consultant and partner with OEC Consulting AS and serves as Senior Vice President of the Floating LNG Production division of the Group. He has almost 30 years of experience from project management, project control, procurement and contracts administration from the offshore oil and gas industry. He is a Norwegian citizen and resides in Norway.

JAN F. WRIGHT (born 1950)
VICE PRESIDENT, HSEQ

Mr. Wright serves as Vice President HSEQ and Risk Management of the Group through his employment with Höegh LNG AS. He has more than 15 years experience from the Oil and Gas industry and consultancy companies like Saga Petroleum and Det Norske Veritas. He has 12 years experience with aerospace industries, including 6 years as Safety Director in Avinor who owns and operates 46 airports and Air Traffic Control units in Norway. He is a Norwegian citizen and resides in Norway.

CAMILLA NYHUS-MØLLER (born 1976)
VICE PRESIDENT, LEGAL

Ms. Camilla Nyhus-Møller serves as Vice President Legal of the Group through her employment with Höegh LNG AS. She has 10 years of experience from the shipping and offshore industries working as a lawyer in Bugge Arentz-Hansen & Rasmussen (BA-HR), foreign lawyer trainee in Holland & Knight in New York and in house counsel for Höegh LNG and previously also for Höegh Autoliners. She is a Norwegian citizen and resides in Norway.

VEGARD HELLEKLEIV (born 1969)
SENIOR VICE PRESIDENT, REGASIFICATION

Mr. Hellekleiv serves as Senior Vice President of the regasification business of the Group through his employment with Höegh LNG AS. He has 12 years of experience from newbuilding and ship management positions, including three years of experience from Det Norske Veritas. He is a Norwegian citizen and resides in Norway.

GEIRMUND AASBØ (born 1969)
SENIOR VICE PRESIDENT, PROJECT SERVICES

Mr. Aasbø serves as Senior Vice President of project services of the Group through his employment with Höegh LNG AS. He has more than 15 years of experience from the shipping and offshore industries, including positions as Vice President of project execution and Senior Manager of business development in Höegh LNG. He has experience from LNG ship financing in DnB NOR Bank, commercial roles in Kværner Shipbuilding and from technical advisory services in Det Norske Veritas. He is a Norwegian citizen and resides in Norway.

RAGNAR WISLØFF (born 1957)
MANAGING DIRECTOR, HÖEGH LNG ASIA PTE. LTD.

Mr. Wisløff serves as Managing Director of Höegh LNG Asia Pte. Ltd. Before the opening of the Singapore office he was Senior Vice President of the Floating LNG Regasification business of the Group. He has 15 years of experience from the gas industry, in both upstream and downstream activities, with various companies in the sector. He is a Norwegian citizen and resides in Singapore.

BOARD OF DIRECTORS

MORTEN W. HØEGH CHAIRMAN

Morten W. Høegh serves as Chairman of Höegh LNG and is a Director of Höegh Autoliners Holdings AS. From 1998 to 2000 he worked as an investment banker with Morgan Stanley in London. Mr Høegh holds an MBA with High Distinction (Baker Scholar) from Harvard Business School and a Bachelor of Science in Ocean Engineering and Master of Science in Ocean Systems Management from the Massachusetts Institute of Technology. He is a graduate of the Military Russian Program at the Norwegian Defence Intelligence and Security School. Morten W. Høegh is a Norwegian citizen and he resides in the United Kingdom.

LEIF O. HØEGH DEPUTY CHAIRMAN

Leif O. Høegh serves as Deputy Chairman of Höegh LNG and is the Chairman of Höegh Autoliners Holdings AS. Mr Høegh has worked for McKinsey & Company and the Royal Bank of Canada Group. He holds an MA in Economics from the University of Cambridge and an MBA from Harvard Business School. Leif O. Høegh is a Norwegian citizen and resides in Norway.

CAMERON ADDERLEY DIRECTOR

Cameron Adderley serves as a Director of Höegh LNG. He is a partner of Appleby, Höegh LNG's Bermuda counsel. Mr Adderley is the Group Leader – Corporate Finance of Appleby with a broad based corporate and commercial practice, which includes securities, mergers and acquisitions, financing and capital markets transactions. He also advises on joint ventures, including the structure, governance and finance arrangements for such transactions. Mr Adderley graduated from the University of Bristol with a Bachelor of Laws (Hons) degree in 1989, and qualified as a solicitor of the Supreme Court of England and Wales in 1992 (now non-practising). He was called to the Bermuda Bar in September 1993. Cameron Adderley is a British citizen and resides in Bermuda.

TIMOTHY J. COUNSELL DIRECTOR

Timothy J. Counsell serves as a Director of Höegh LNG. He is a Partner of Appleby, Höegh LNG's Bermuda counsel and is team leader of the banking and asset finance team in the firm's Bermuda office. He has a practice area including ship and aviation finance, and asset secured lending. He has extensive experience with corporate governance issues, as well as provision of structural advice in relation to such transactions. Mr Counsell graduated from the University of Western Ontario in London, Ontario, Canada with a Bachelor of Laws in 1988 and also possesses Master of Science and Bachelor of Science (Honours) degrees. Timothy J. Counsell was called to the Bermuda Bar in 1992, is a British and a Canadian citizen and resides in Bermuda.

DITLEV WEDELL-WEDELLSBORG DIRECTOR

Ditlev Wedell-Wedellsborg serves as a Director of Höegh LNG. He is the owner of Weco Invest A/S, an investment company working out of Copenhagen. Previously he was a Partner in the corporate finance boutique Capitellum and prior to this he held various management positions in the Danish shipping company Dannebrog Rederi A/S. He has also been a consultant with McKinsey & Co. Mr Wedell-Wedellsborg holds an MBA from INSEAD, France and a BA in economics from Stanford University. Ditlev Wedell-Wedellsborg is a Danish citizen and resides in Denmark.

GUY D. LAFFERTY DIRECTOR

Guy D. Lafferty serves as a Director of Höegh LNG. He has advised Höegh Capital Partners Ltd. on its oil, gas and other direct investments since 1990. He previously worked at the investment banking arm of The Royal Bank of Canada and for the National Westminster Bank in London and New York. Guy D. Lafferty is a British national and resides in the United Kingdom.

JON ERIK REINHARDSEN DIRECTOR

Jon Erik Reinhardsen serves as a Director of Höegh LNG. In 2008 he became CEO of Petroleum Geo-Services ASA. In 2005 he joined Alcoa Primary Metals Inc. in New York as President Global Primary Growth and Vice President of the corporation, responsible for all major investments in smelters, refineries and mines within Alcoa worldwide. Before joining Alcoa, he held various leading positions in Aker Kværner ASA (now Aker Solutions ASA). His last position was as Group Executive Vice President, Head of Houston Dual Headquarters. Mr Reinhardsen was elected Director of Cameron International Inc. in 2009. He holds an MSc degree in Applied Mathematics/Geophysics from the University of Bergen, Norway and participated in the International Executive Program at the Institute for Management Development (IMD) in Lausanne, Switzerland in 1991. Jon Erik Reinhardsen is a Norwegian citizen and resides in Norway.

ANDREW JAMIESON DIRECTOR

Andrew Jamieson serves as a Director of Höegh LNG. He has vast experience from the energy industry in general and LNG in particular, having been in charge of both the North West Shelf project in Australia and Nigeria LNG for a number of years. He retired from the Royal Dutch Shell group in 2009 where he has served as Executive Vice President Gas & Projects and Member of the Gas & Power Executive Committee since 2005. From 1999 to 2004 he was Managing Director in Nigeria LNG Ltd and Vice President in Bonny Gas Transport Ltd. Dr Jamieson has been with Royal Dutch Shell group since 1974, with positions in The Netherlands, Denmark, Australia and Nigeria, and he has been a director on the boards of several Shell companies. He holds a Ph.D. degree from Glasgow University and is a Fellow of the Institute of Chemical Engineers and also of the Royal Academy of Engineering. Andrew Jamieson is a citizen of the United Kingdom and resides in the United Kingdom and Australia.


ENAGAS

DIRECTORS' REPORT FOR 2011

Höegh LNG accelerated its growth within floating LNG services in 2011. Driven by strong demand for floating LNG import terminals, the Company ordered two floating storage and regasification units, agreed to acquire the LNG carrier LNG Libra, raised new equity in an initial public offering, and became listed at the Oslo Stock Exchange. The Company was furthermore selected as the preferred bidder for a floating LNG import terminal in Indonesia.

The Group's operations and fleet

Höegh LNG's existing business consists of maritime LNG transportation, storage and regasification services. The Company's registered office is in Hamilton, Bermuda. Management is performed by Höegh LNG AS, Oslo, Norway. In addition, the Group has established presence in London (UK), Florida (USA) and Singapore. The Group has ownership interests in and operates a fleet of five LNG carriers and two floating storage and regasification unites (FSRUs). In addition the Company operates two LNG carriers on behalf of third parties. The vessels in which the company has ownership interests are on long term time charter to Statoil, Total, GDF Suez and Gas Natural. The Company has further three FSRUs on order at Hyundai Heavy Industries in Korea wholly owned by the Company.

Höegh LNG's vision is to become a market leader in floating LNG services. The Group's strategy in achieving this goal is to offer the complete chain of floating LNG services, from production, transportation and regasification to market access. The Group has invested heavily in fleet expansion and project development over the past ten years, both downstream into floating storage and regasification, and up-stream into floating production of LNG (FLNG). Going forward, the Company will prioritise capital allocation to expansion within floating storage and regasification. While the commercialisation of the Group's FLNG solution is progressing according to plan, the long-term ownership of this business will most likely be structured and financed separately from Höegh LNG's other businesses due to its capital intensive nature.

Review of 2011

LNG demand fundamentals remained strong through 2011 with an increasingly positive long term outlook. Demand for LNG is expected to double from 2010 to 2015, driven by additional power generation and a shift in feed stock from oil and coal to natural gas. Floating LNG import terminals are furthermore increasingly the preferred solution for countries developing LNG infrastructure, as this is a less capital intensive, quicker to build and more flexible solution compared to land based import terminals.

Höegh LNG ordered two new build FSRUs at Hyundai Heavy Industries in South Korea during 2011. The orders were placed ahead of securing employment, since having access to vessels which can meet start up requirements is a key selection criteria when tendering for LNG import projects. The Company further acquired the LNG carrier "LNG Libra" as a conversion candidate for floating LNG import projects. The vessel will be delivered in the third quarter of 2012 and employed in the short term shipping market until an appropriate project emerges. With the new building orders and vessel acquisition, the Company has positioned itself well for further growth within the floating regasification market.

The Company raised new equity and completed a listing of its shares at the Oslo Stock Exchange during the year. Proceeds from the initial public offering, totalling approximately USD 132 million, will be used to part fund the Company's expansion within floating regasification. Being publicly listed, Höegh LNG now has access to a broad range of capital markets, which will facilitate the realisation of its long term business plans.

Höegh LNG submitted several tenders or indicative bids during the year and was selected as the preferred bidder for the supply of a floating LNG import terminal to PT Perusahaan Gas Negara ("PGN"). PGN is the largest natural gas transportation and distribution company in Indonesia, majority owned by the state and stock listed. The project will be located in Indonesia and employ the first of Höegh LNG's FSRUs under construction at Hyundai. A final agreement has subsequently been signed for the project. The Company was further awarded an engineering study for the potential use of Höegh LNG's generic FLNG design in exploiting part of the Tamar gas field located offshore Israel. If a final investment decision is made for the project, the intention is that Höegh LNG together with partners shall own and operate the FLNG. Finally, the existing fleet of LNG carriers and regasification vessels continued to operate satisfactorily throughout the year, with the exemption of an unscheduled dry docking of Arctic Princess to service its propeller shaft bearings and seals.

Subsequent events

During the first months of 2012, the Company signed a final agreement with AB Klaipedos Nafta for the supply of an FSRU to be located in the Port of Klaipeda in Lithuania. AB Klaipedos Nafta is a stock-listed oil and gas company majority owned by the government of Lithuania. The project will employ the second FSRU under construction at Hyundai.

Furthermore, the Company signed a six month time charter agreement for "LNG Libra" providing shipping services to the North West Shelf project in Australia. The time charter will commence upon delivery of the vessel from its previous owner in the third quarter of 2012.

As a follow up to the IPO last summer, Höegh LNG raised approximately USD 208 million in gross proceeds in a private placement directed towards existing and new shareholders of the Company and a subsequent offering to qualified shareholders. Proceeds from the issue will be used to fund existing and new commitments relating to the Company's expansion within floating regasification. Including the IPO proceeds, the Company has since mid 2011 raised approximately USD 332 million in net equity to support its expansion within floating regasification.

Subsequent to the private placement, Höegh LNG exercised an option for one additional FSRU to be built at Hyundai and was granted one new priced option. The Company now has three FSRUs on order at Hyundai, of which two have secured employment and one is available for employment. The Company holds furthermore options for two additional FSRUs at firm prices and delivery slots and two options with terms to be negotiated.

Financial review

Consolidated figures

Income statement

Total consolidated income for 2011 was USD 109.8 million up from USD 94.9 million in 2010. The increase in income is mainly due to full year recognition of GDF Suez Cape Ann and STX Frontier in 2011, both vessels delivered in the summer of 2010, and off-hire recognition in the in 2010 figures in connection with regular dry docking of Arctic Princess and Norman Lady.

Operating profit before depreciation was USD 26.1 million (USD 24.0 million in 2010). The increase is due to the mid 2010 delivery of GDF Suez Cape Ann and STX Frontier, offset by IPO costs, increased bonus accruals, an unscheduled off-hire of Artic princess and increased tendering activity. Consolidated operating profit was USD 6.5 million (10.2). The reduction is due to the explanations above in addition to full year depreciation for GDF Suez Cape Ann and impairment loss related to compressed natural gas technology investments.

Net financial expenses were USD 24.4 million (21.4), while the loss for the period was USD 17.7 million (12.0). The net loss on hedging reserves was USD 48.7 million (19.7) due to mark-to-market valuation of the Group's interest rate hedging instruments, resulting in a consolidated total comprehensive loss of USD 66.4 million (31.7).

Business segments
The LNG transportation segment recorded total income of USD 58.6 million (54.6) and operating profit before depreciation of USD 19.3 million (19.1). The increase in operating profit is mainly due to the delivery of STX Frontier in June 2010.

The floating regasification segment had a total income of USD 40.8 million (31.5) and an operating profit before depreciation of USD 33.4 million (26.0). The increased profit was mainly due to the delivery of GDF Suez Cape Ann in June 2010.

The project development segment reports an income for 2011 of USD 0.4 million (0.0) and an operating loss before depreciation of USD 13.8 million (11.1). The increased loss is mainly due to higher costs since a smaller portion of the project development costs were capitalised as the projects are now in a commercialisation phase.

The "other activities" segment had total income of USD 10.1 million (8.8) and an operating loss before depreciation of USD 12.9 million (10.1). The increased loss is due to higher administration costs and employee bonus provisions.

Financial position
The Group's total assets as of 31 December 2011 were USD 744.7 million (648.7). The increase is mainly due to investments in new-buildings by USD 52.1 million (0.0) and increased investments in marketable securities/interest bearing receivables which totalled USD 90.1 million (52.6).

Book equity at the end of 2011 was USD 133.3 million (73.0). The increase is mainly due to proceeds from the initial public offering in 2011. The equity ratio net of interest rate swaps at the end of 2011 was 36 per cent, up from 24 per cent at the end of 2010. The equity ratio is considered to be satisfactory.

Financing
The Group's interest bearing debt was USD 439.1 million at year-end 2011 451.0

In 2011, the Company entered into a USD 288 million debt facilities agreement providing up to 50% financing of the new FSRUs on order at Hyundai. The facilities agreement may be used for up to four FSRUs, but not for more than two of the vessels at a time. The facilities are intended as a back-up financing should employment of the vessels not be secured before delivery. As of year-end 2011 the facility is undrawn.

Cash flow
Cash flow from operating activities was USD 24.5 million (23.0) reflecting the mid 2010 expansion of the fleet. Cash flow from investing activities came to a negative USD 102.2 million (44.5), driven by investments in new vessels and net investments in marketable securities. Cash flow from financing activities was USD 85.5million (28.3) including a USD 131.8 million of gross issue proceeds from the initial public offering. The Group's total cash flow in 2011 from operating, investing and financing activities was USD 7.8 million (6.8).

The Group's unrestricted cash and cash equivalents as of year-end 2011 were USD 36.6 million (28.8). In addition, the Group held USD 90.1 million (52.6) in marketable securities and interest bearing receivables.

Going concern
The annual financial statements have been prepared under the going concern assumption.

Parent company
The net profit after tax for the parent company Höegh LNG Holdings Ltd. was USD 7.4 million, which will be transferred to retained earnings. Total comprehensive income was USD 7.4 million (4.9). The result is primarily due to interest income on the continuing lending to its wholly owned subsidiary Höegh LNG Limited. Total assets as of year-end 2011 were USD 366.2 million (219.5). The increase is primarily due to the share issue in the initial public offering. The equity ratio for the parent company was 100% at year-end 2011 (100 %). Net cash flow in the parent company was USD 10.1 million (2.5). Of USD 125.3 million in net proceeds from share issues and USD 51.6 million in proceeds from the settlement of the promissory note, USD 90.0 million have been invested in marketable securities while USD 78.2

million has been lent to the wholly owned subsidiary Höegh LNG Limited.

Risk and risk management

Risk management

Höegh LNG uses risk management tools relating to both existing and new businesses based on ISO 31000. The Company further holds ISO 9001, ISO 14001, ISM (International Safety Management) and OHSAS 18001 (Occupational Health and Safety Advisory Services) certificates for the management of quality, environment and safety and occupational health, respectively.

Market risk

Most of the Group's vessels are on long-term contracts with solid counterparties and thus not exposed to short term variations in the demand for floating LNG services. The second hand LNG carrier, LNG Libra, which will be delivered in the third quarter of 2012, has been chartered out on a six month time charter. The vessel is thereafter exposed to short term cyclical variations in the demand for LNG shipping services, if not converted to an FSRU and used for long term LNG import terminal services.

Most of the demand for floating LNG import terminals is from countries experiencing economic growth, notably in Asia. This demand will depend on the continued economic growth or alternatively the switching from oil, coal or nuclear to natural gas as the energy source for power production. There are currently more than 30 potential FSRU projects world wide and Höegh LNG is participating in several on-going tender processes.

Höegh LNG is currently marketing long-term LNG import capacity in its proposed terminals in Florida and the UK. In the potential event that the Group should fail to sell such capacity, there is a risk that the associated intangible assets may be impaired. The Group is also marketing its solution for floating liquefaction and storage of natural gas. In the potential event that Höegh LNG is unable to secure a long-term contract for such a vessel, the value of the engineering and design work recognised in the Group's balance sheet may be impaired.




Operational risk

Höegh LNG assumes operational risks associated with loading, off-loading, regasifying, storing and transporting cargoes, which can cause delays to the Group's operations. In addition, difficulties due to port constraints, weather conditions and vessel compatibility and performance can all affect the results of operations and expose the Group to adverse economic consequences.

Financial risk

Höegh LNG's primary strategy in mitigating financial market risks is to apply derivatives, where appropriate, in hedging the Group's various net financial market risk positions. When the use of derivatives is deemed appropriate, only well-understood, conventional instruments issued by highly rated financial institutions are used.

Foreign exchange risks arise from business transactions, capitalised assets and liabilities denominated in currencies other than the reporting currency of the Group. The majority of Höegh LNG's business transactions, capitalised assets and liabilities are denominated in USD, and the Group is therefore only to a limited extent exposed to foreign exchange risks.

All interest bearing debt within the Group is subject to floating interest rates, of which the majority has been swapped into fixed interest rates. As such the Company is only to a limited extent exposed to fluctuations in interest rate levels on existing debt facilities.

Liquidity risk is the risk that the Group will be unable to fulfil its financial obligations when they fall due. Remaining payment obligations relating to existing expansion commitments within floating regasification as at 31 December 2011, total approximately USD 570 million. Höegh LNG had USD 36.6 million in cash and USD 90.1 million in marketable securities as of year-end 2011, in addition to the undrawn USD 288 million FSRU debt facilities agreement. As of 28 March 2012, the remaining payment obligations had increased to approximately USD 850 million, comprising the Indonesian FSRU project, the Lithuanian FSRU project, the third FSRU on order at Hyundai, and the acquisition of LNG Libra, with deductions for instalments paid both in 2011 and in the beginning of 2012. At the same time, the new equity issues had strengthened the equity and thus cash position of the Company by about USD 202 million. Long-term project financing for the FSRU projects will be raised after employment is secured and for LNG Libra prior to delivery of the vessel. It is expected that 70-80 % of delivered cost of the respective FSRU projects will be funded by long-term project debt financing.

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Existing vessels are chartered out to internationally well recognised counterparties in the energy sector with an appropriate credit rating, and charter hires are payable monthly in advance. Cash funds are only deposited with internationally recognised financial institutions with a high credit rating, or invested in marketable securities issued by companies with a high credit rating.

Corporate responsibility and impact on the external environment

In order for Höegh LNG's business activities to be sustainable in the long-term, the Group must strive for economic growth, environmental improvements and social responsibility. This is often referred to as the triple bottom line. Höegh LNG aims to contribute to sustainable development by acting as a socially responsible company working actively to integrate social and environmental concerns in running business operations and to find a sound balance between the need for operational efficiency, shareholder value, and attention to the interests of non-financial stakeholders. The Group furthermore works actively with the objective to reduce the influence on the environment. This is formalised through ISM and ISO 14001 certification of its environmental management system.

While vessels burn fossil fuels and thereby generate environmentally harmful emissions, maritime transport in many situations is less pollutive compared to other modes of transportation. The Group's vessels are furthermore largely powered by natural gas, which has significantly lower carbon dioxide emissions than oil and other fossil fuels, relatively small nitrogen oxide emissions and almost no sulphur dioxide and particulates emissions. By transporting natural gas to new users and thereby enabling producers to switch from using heavier fossil fuels to using natural gas for power generation, Höegh LNG is furthermore indirectly contributing to more environmentally friendly electricity production in different parts of the world.

Personnel matters

The Group employed 351 people at the end of 2011, whereof 275 seafarers. In addition, it had a crew pool of 59 ratings from the Philippines as well as a pool of 15 officers who are seconded from STX Pan Ocean. Average sickness absence among employees in wholly-owned subsidiaries located at the head office was 2.6 % in 2011 (1.1 %). No injuries were reported on land-based employees during the year. In 2011, for vessels owned or operated by Höegh LNG, there was one Lost Time Injury (LTI), resulting in a Lost Time Injury Frequency (LTIF) of 0.5 for the whole year, well below the target. The good performance is a result of continuous implementation of safety related initiatives and focus on building a safety culture.

Diversity

Equal opportunities for women and men are a clear policy in Höegh LNG. Discrimination based on race, gender or similar grounds is not accepted. However, male and female representation in the industry's recruitment base is unequal. Women accounted for 38 % (33 %) of the 63 (60) Group employees in Norway at 31 December. None of the directors on the board of Höegh LNG are female and there is no legal requirement for board representation of both genders pursuant to Bermudan law. One of the members of the senior management group of nine employees is female.

Shareholder matters

At the end of 2011, there were 447 shareholders of Höegh LNG. Non-Bermudan investors owned 100 % of the shares. Leif Höegh & Co. Limited, was the largest shareholder holding 65.7 % of the shares. 2.6% of the shares were owned by Methane Ventures Limited, which is owned 45.6% by key management of the Group. During the year, the Company issued a total of 19,951,511 shares, net of the cancellation of shares held in treasury, and its shares became listed at the Oslo Stock Exchange.

Höegh LNG's shares are freely transferable. However, the board may decline to register any transfer if such transfer would result in 50 % or more of the shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, being effectively connected to a Norwegian business activity, in order to avoid the Company being deemed a "Controlled Foreign Company" pursuant to Norwegian tax rules.

Certain of the Company's agreements, including, but not limited to, the USD 288 million bank facilities agreement and the license agreement for the Höegh name, contain provisions permitting counterparties to terminate in case of the Høegh family and/or Leif Höegh & Co Ltd. group of companies ceases to own (directly or indirectly) at least 1/3 of the shares in the Company. The USD 288 million bank facilities agreement also contains a provision requiring the Høegh family and/or Leif Höegh & Co Ltd. group of companies to be the major shareholder of the Company.

The Company has not paid any dividends since its incorporation in 2006, and does not expect to pay dividends in the short-term perspective due to its expansion strategy. Höegh LNG's long-term objective is, however, to pay dividends in order to maximise shareholder return as well as to make the Höegh LNG share an attractive investment for investors.

Corporate governance

The Company has adopted and implemented a corporate governance regime which, in all material respects, complies with the Norwegian Code of Practice for Corporate Governance Code and the Oslo Stock Exchange Continuing Obligations section 7. The board's corporate governance report is included as a separate chapter in the annual report. The report includes all cases of non-compliance with the code.

Future prospects

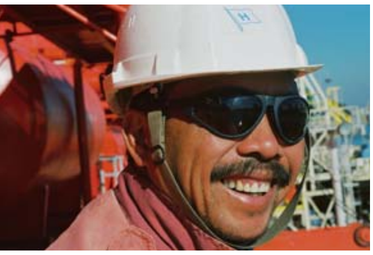
It is expected that natural gas will be the fastest-growing major fuel through to 2040. Much of this growth is driven by additional power generation and the shift in feed-stock at existing power plants from coal, oil and nuclear to natural gas. A significant share of the incremental demand for natural gas is expected to be supplied as LNG from new liquefaction capacity coming on stream in the years to come. Being a provider of floating LNG services, Höegh LNG is well positioned to benefit from this expected development in the underlying demand for LNG related services.

Given the nature of Höegh LNG's businesses, with mainly long term contracts and strong counterparties, the operating result and cash flow of the Group is predictable and stable. As the FSRUs on order at Hyundai are delivered and commence operation, the operating result and cash flow of the Group is expected to improve considerably from 2014 and onwards.

HAMILTON/STOCKHOLM, 28 MARCH 2012

THE BOARD OF DIRECTORS AND THE PRESIDENT OF HÖEGH LNG HOLDINGS LTD.

Morten W. Høegh Chairman	**Leif O. Høegh** Deputy Chairman	**Cameron E. Adderley**
Timothy J. Counsell	**Andrew Jamieson**	**Guy D. Lafferty**
Jon Erik Reinhardsen	**Ditlev Wedell-Wedellsborg**	**Sveinung J.S. Støhle** President




NO SMOKING
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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. FOR THE YEAR ENDING 31 DECEMBER 2011

Consolidated statement of comprehensive income for the year ended 31 December 2011

USD'000	Notes	2011	2010
Freight revenues	4	105 133	91 975
Voyage expenses		(130)	(530)
Income on T/C basis		**105 003**	**91 445**
Management and other income	4	4 777	3 484
Total income		**109 780**	**94 928**
Charterhire expenses	6	(20 130)	(19 244)
Operating expenses	7	(32 433)	(27 076)
Administrative expenses	8	(16 982)	(13 549)
Project development expenses	9	(14 160)	(11 076)
Operating profit before depreciation		**26 074**	**23 983**
Gain/(loss) on sale of assets		(80)	(3)
Depreciation	21	(18 150)	(13 811)
Impairment	19	(1 363)	-
Operating profit		**6 482**	**10 169**
Interest income	10	669	223
Interest expenses	11	(25 200)	(22 435)
Income from other financial items	12	777	908
Expenses from other financial items	13	(611)	(47)
Net financial items		**(24 366)**	**(21 352)**
Ordinary profit or loss before tax		**(17 884)**	**(11 183)**
Tax	14	201	(787)
Profit (loss) for the period		**(17 683)**	**(11 970)**
Other comprehensive income			
Net gain (loss) on hedging reserves	14, 26	(48 711)	(19 725)
Total comprehensive income/(loss)		**(66 393)**	**(31 694)**
Profit /(loss) of the year attributable to (from):			
Equity holders of the parent	15	(17 597)	(11 357)
Non-controlling interests		(86)	(613)
		(17 683)	**(11 970)**
Total comprehensive income attributable to (from):			
Equity holders of the parent		(66 259)	(30 441)
Non-controlling interests		(134)	(1 253)
		(66 393)	**(31 694)**
Earnings per share attributable to ordinary equity holders of Höegh LNG Holdings Ltd:	15		
> basic, profit for the year		(0,48)	(0,42)
> diluted, profit for the year		(0,48)	(0,42)

The notes on pages 33 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2011

USD'000	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	14	740	210
Licenses, design and other intangibles	20	81 955	80 058
Tangible assets			
Vessels	21	449 754	466 203
Deposit for vessel acquisition	22	5 300	-
New buildings	21	52 133	-
Equipment	21	2 304	1 382
Non-current financial assets	16	107	487
Other non-current assets	23	8 116	1 412
Restricted cash	28	12 552	10 216
Total non-current assets		**612 961**	**559 968**
Current assets			
Bunkers and other inventories		131	129
Trade and other receivables	24	4 850	7 215
Interest bearing receivables	18	-	52 628
Marketable securities	25	90 098	-
Cash and cash equivalents	27	36 614	28 779
Total current assets		**131 694**	**88 752**
TOTAL ASSETS		**744 655**	**648 720**

USD'000	Notes	2011	2010
EQUITY AND LIABILITES			
Equity			
Issued capital	29	470	271
Share premium reserve		142 487	3 560
Treasury shares	29	(12)	(1)
Hedging reserves		(131 649)	(81 120)
Other paid in capital		(8 849)	-
Retained earnings		130 840	150 800
Equity attributable to equity holders of the parent		**133 287**	**73 510**
Non-controlling interest		-	(475)
Total equity		**133 287**	**73 035**
Non-current liabilities			
Pension liabilities	31	7 986	7 293
Long-term interest bearing debt	30	426 269	438 880
Other non-current financial liabilities	17	113 606	60 164
Other long-term debt	32	9 666	9 280
Total non-current liabilities		**557 527**	**515 617**
Current liabilities			
Short-term interest bearing debt	30	12 872	12 131
Trade and other payables	33	6 646	8 334
Income tax payable	14	498	712
Other current financial liabilities	35	24 484	30 727
Provisions and accruals	34	9 340	8 165
Total current liabilities		**53 841**	**60 068**
TOTAL EQUITY AND LIABILITIES		**744 655**	**648 720**

HAMILTON/STOCKHOLM, 28 MARCH 2012

THE BOARD OF DIRECTORS AND THE PRESIDENT OF HÖEGH LNG HOLDINGS LTD.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Cameron E. Adderley

Timothy J. Counsell

Andrew Jamieson

Guy D. Lafferty

Jon Erik Reinhardsen

Ditlev Wedell-Wedellsborg

Sveinung J.S. Støhle
President

Consolidated statement of changes in equity
for the year ended 31 December 2011

USD'000	Attributable to the owners of the parent							Non-controlling interest (Note 36)	Total equity
	Issued capital (Note 29)	Share premium (Note 29)	Treasury shares (Note 29)	Hedging reserves (Note 17)	Other paid in capital (Note 36)	Retained earnings	Total		
As at 1 January 2010	**271**	**365**	**(4)**	**(62 036)**	**-**	**162 248**	**100 845**	**861**	**101 706**
Profit (loss) for the year	-	-	-	-	-	(11 357)	(11 357)	(613)	(11 970)
Other comprehensive income for the year	-	-	-	(19 084)	-	-	(19 084)	(641)	(19 725)
Total comperehensive	**-**	**-**	**-**	**(19 084)**	**-**	**(11 357)**	**(30 440)**	**(1 254)**	**(31 694)**
Sale of treasury shares	-	3 195	3	-	-		3 198	-	3 198
Acquisition of non-controlling interest	-	-	-	-	-	(92)	(92)	(83)	(175)
Balance at 31 December 2010	**271**	**3 560**	**(1)**	**(81 120)**	**-**	**150 800**	**73 511**	**(476)**	**73 035**
Balance at 1 January 2011	271	3 561	(1)	(81 120)	-	150 800	73 510	(475)	73 035
Profit (loss) for the year	-	-	-	-	-	(17 597)	(17 597)	(86)	(17 683)
Other comprehensive income / (loss) for the year		-	-	(48 663)	-	-	(48 663)	(48)	(48 711)
Total comperehensive income for the year	**-**	**-**	**-**	**(48 663)**	**-**	**(17 597)**	**(66 259)**	**(134)**	**(66 393)**
Cancellation of shares held in treasury	(1)	-	1	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	(58)	(58)	11	(47)
Sale of non-controlling interest	-	-	-	-	-	290	290	(51)	239
Issue of share capital 17 June 2011 (Note 29)	12	12 687	-	-	-	-	12 699	-	12 699
Shares' swap 17 June 2011 (Note 36)	-	-	(12)	(1 866)	(8 849)	(2 595)	(13 323)	650	(12 673)
Decrease in ownership	**12**	**12 687**	**(12)**	**(1 866)**	**(8 849)**	**(2 363)**	**(392)**	**610**	**218**
Issue of share capital 30 June 2011 (Note 29)	171	119 819	-	-	-	-	119 990	-	119 990
Issue of share capital 9 August 2011, (Note 29)	17	11 805	-	-	-	-	11 822	-	11 822
Transaction costs (Note 8, 14)	-	(5 385)	-	-	-	-	(5 385)	-	(5 385)
Total transactions with owners of the company, recognized directly in equity	**188**	**126 240**	**-**	**-**	**-**	**-**	**126 428**	**-**	**126 428**
At 31 December 2011	**470**	**142 487**	**(12)**	**(131 649)**	**(8 849)**	**130 840**	**133 287**	**-**	**133 287**

The notes on pages 33 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2011

USD'000	Notes	2011	2010
Operating activities			
Profit /(loss) before tax	14	(17 884)	(11 183)
Non-cash adjustment to reconcile profit before tax to net operational cash flows			
Loss/ (gain) sale of assets		80	3
Depreciation vessels, drydocking and equipment	21	18 150	13 811
Impairment of intangible asset	19	1 363	-
Fair value and realized (gains)/losses on marketable securities	25	98	(553)
Interest income	10	(669)	(223)
Interest cost	11	25 200	22 435
Working capital adjustments			
Change in inventories, receivables and payables		(1 303)	(964)
Interest received		69	199
Income tax paid		(597)	(530)
Net cash flows from operating activities		**24 507**	**22 996**
Investing activites			
Proceeds from sale of marketable securities		-	19 000
Proceeds from settlement of interest bearing receivables	18	51 295	-
Interest received on interest bearing receivables	18	651	-
Investments in marketable securities	25	(90 000)	-
Investments in vessels and new buildings	25	(52 063)	(57 135)
Vessel acquisition deposit	22	(5 300)	-
Investments in intangibles		(3 412)	(5 702)
Proceeds from sale of equipment		83	267
Investment in equipment		(1 616)	(968)
Investment in pre-contract costs	23	(1 804)	-
Net cash flows used in investing activities		**(102 166)**	**(44 538)**
Financing activites			
Proceeds from borrowings		-	55 207
Repayment of borrowings		(12 131)	(5 664)
Interest paid		(25 201)	(21 044)
Issue of share capital	29	131 813	-
Transaction costs of issue of shares	8,29	(5 385)	-
Acquisition of non-controlling interest		(47)	(175)
Sale of non-controlling interest		239	-
Payment of finance cost	23	(3 794)	-
Net cash flows from financing activities		**85 494**	**28 324**
Net increase in cash and cash equivalents		**7 835**	**6 782**
Current cash, cash equivalents at 1 January		28 779	21 998
Current cash and cash equivalents at 31 December	**27**	**36 614**	**28 779**
Guarantees (interest rate swaps Arctic leases)	26,37	44 993	27 973
Undrawn facility	31	-	-
Aggregate amount of cash flows from joint ventures	3	(4 211)	1 615

The notes on pages 33 to 69 are an integral part of these consolidated financial statements.

Note 1 // Corporate information

Höegh LNG Holdings Ltd. (“the Company”) is a limited company domiciled and incorporated under the laws of Bermuda whose shares became publicly tradable on Oslo Børs on 5 July 2011. The registered office is Canon’s Court, 22 Victoria Street, Hamilton 12 Bermuda. The consolidated financial statements of the Company comprise the Company and its subsidiaries and joint ventures (together referred to as “Höegh LNG” or “the Group”).

Höegh LNG is a fully integrated ship owning company, owning, managing and operating a fleet of five LNG carriers, of which three are regular LNG carriers and two are Shuttle and Re-gasification vessels (SRV). In addition to transporting LNG, the SRVs act as floating terminals while delivering natural gas to the market. Höegh LNG further operates two regular LNG carriers on management agreements. Höegh LNG’s strategy is to add value to its customers by broadening its scope of business beyond conventional LNG transportation services, to include a wider range of value chain services, such as LNG production, transportation, storage, re-gasification and market access services.

Management is performed by Höegh LNG AS, Oslo, Norway. In addition, the Group has established presence in London (UK), Florida (USA) and Singapore. The Group employed 351 people at the end of 2011. In addition, it had a crew pool of 59 ratings from the Philippines as well as a pool of 15 officers who are seconded from STX Pan Ocean.

The consolidated financial statements of the Group for the year ended 31 December 2011 were approved by the Board on 28 March 2012.

Note 2.1 // Summary of significant accounting policies

A) Basis for preparation

The consolidated financial statements of Höegh LNG have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and the marketable securities portfolio which are measured at fair value.

The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD’000) unless otherwise indicated. The cash flow statements are presented using the indirect method.

The annual financial statements have been prepared under the assumption that the enterprise is a going concern.

B) Functional and presentation currency

The Group presents its financial statements in USD. This is also the functional currency for all the material companies in Höegh LNG. The companies in Höegh LNG prepare accounts both in local currency and USD. All transactions in other currencies than USD are included in the accounts at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to USD at the rates applicable at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are converted using the exchange rate at the date of the initial transaction.

C) Basis of consolidation

Subsidiaries

Subsidiaries are all entities in which the Group has a controlling interest. A controlling interest is normally attained when Höegh LNG owns, either directly or indirectly, more than 50% of the shares in the entity or through agreements are capable of exercising control over the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated as of the date the control ceases.

Business combinations

The purchase method is applied when accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acqui-sition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Joint ventures

The Group has interests in joint ventures which is jointly controlled companies, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

The Group recognises its interest in joint ventures using the proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting period as for the Group.

The consolidated financial statements are prepared on the assumption of uniform accounting policies for identical transactions and other events under equal circumstances.

Intra-group transactions

Intra-group balances and transactions and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated according to the Group's share in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

D) Revenue recognition

Charter hire

Chartering of vessels to customers is recognised as revenue based on whether the chartering contract is considered to be an operating lease or a finance lease pursuant to IAS 17.

Leases in which substantially all of the risks and rewards of ownership are retained by the Group, is classified as operating leases. Revenue from operating leases are measured at the fair value of the consideration received and recognised as revenue on a straight line basis over the duration of the charter period based on contractual rates. The Group does not recognise revenue during days that the vessel is off-hire.

The Group has no financial lease revenue.

Management income

The Group receives management income from external owners related to technical, commercial and administrative services performed by entities within the group. These revenues are recognised in the relevant period for providing the service.

Dividends

Dividend income is recognised when the right to receive payment is established.

E) Current versus non-current classification

The Group's recognition of current and non-current items in the financial position is determined by maturity of less and more than 12 months, respectively.

F) Cash and cash equivalents

Cash and short-term deposits comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Cash includes restricted bank accounts for deposits in respect of employee taxes.

G) Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for Höegh LNG. Should there be objective evidence of a decline in value, the difference between the carrying amount and the estimated recoverable amount is recognised as a loss.

H) Financial instruments

The Group has financial instruments within the scope of IAS 39 that has been classified in the following categories: at fair value with changes in value through profit or loss, loans and receivables and other liabilities. Financial assets at fair value through profit or loss include derivative financial instruments and financial assets held for trading. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised and presented as financial income or financial expense.

Hedge accounting – cash flow hedges

The Group uses interest swaps as hedge instruments to reduce its exposure of interest rate risk. At the inception of hedge recognition, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value on offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or expense is recognised or when a forecast transaction occurs.

Derivative financial instruments that are designated as, and are effective hedging instruments are separated into a current and non-current portion consistent with the classification of the underlying item.

I) Vessels/Newbuildings/Equipment

Non-current assets as vessels, newbuildings and equipment are carried at cost less accumulated depreciation and impairment charges. Cost is defined as directly attributable costs plus borrowing cost.

When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the statement of comprehensive income.

Vessels:

Depreciation is calculated on a straight-line basis over estimated useful life taking residual values into consideration. The estimated useful life for the vessels is normally 30 years.

Certain elements like cost related to major classification/dry-docking, which are capitalised, have shorter useful lifetime and are depreciated until the next planned dry docking, typically three to five years. When second hand vessels are purchased and newbuildings are delivered a portion of the price paid is classified as dry docking.

Cost of day-to-day servicing, maintenance and repairs are expensed as incurred.

The useful life and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Newbuildings:

Vessels under construction are classified as non-current assets and recognised at the costs incurred in relation to the non-current asset when paid. Newbuildings are not depreciated until delivered. Borrowing costs directly attributable to the construction of vessels, which take a substantial period of time to get ready for their intended use, are added to the cost of the vessels, until such time as the vessels are ready for their intended use.

Equipment:

Depreciation is calculated on a straight-line basis with the following estimated useful life:

- Office equipment 4-10 years
- Cars 5 years
- IT investments 3 years

Finance leases – the Group as lessee:

Leases that transfer to Höegh LNG substantially all the risks and benefits incidental to ownership are recognised as finance leases. All other leases are classified as operating leases. The assessment is based on the substance of the transaction by using indicators in IAS 17 and IFRIC 4, and is determined at the inception of the contract.

Höegh LNG presents financial leases in the financial statements as assets and liabilities. When a finance lease is recorded for the first time the asset is measured at the lower of fair value and present value of the minimum lease. Direct costs relating to the lease are included in the asset's cost price. Quarterly rent is separated into an interest element and a repayment element. The commitment is included in the balance sheets as a finance lease liability.

The leases are classified as financial leases as the lease terms are for the major part of the economic life of the asset, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset and gains or losses from the fluctuation in the fair value of the residual accrue to the lessee.

Vessels under financial leases are depreciated consistently with similar vessels directly owned by the Group.

Operational leases – the Group as lessee:

Generally, the Group has no significant operational lease agreements whereby it is the lessee. Any rent related to operational leases is recognised on a straight line basis over the term of the relevant lease.

Operational leases – the Group as lessor:

Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Such incremental costs are deferred in the financial position as pre- contract cost until a firm agreement is entered into. If such an agreement does not take place, the recorded pre-contract costs will be expensed as an administration expense.

J) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of separately acquired intangible assets comprises the purchase price and any directly attributable costs. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of the capitalized intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life is accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intension to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

K) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented net of any reimbursement.

L) Equity

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Transaction costs related to an equity transaction are recognized directly in equity, net of tax.

M) Income tax

Some of the companies in the Group are subject to income tax in the countries in which they operate. Income tax expense in these entities represents the current income tax and changes in any deferred tax assets and liabilities.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount recovered from or expected paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

N) Impairment of assets

Financial assets

For financial assets carried at amortised cost the Group assesses whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The impairment loss is reversed if, and only if, there has been changes in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, an increase in the carrying amount is only recognised to the extent that it does not exceed what the amortised cost would have been if the impairment loss had not been recognised.

Vessels, Newbuildings and Equipment

The carrying amounts of vessels, newbuildings and equipment are tested for impairment whenever there are indications that the value may be impaired. When such indicators exist, the Group estimates the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The CGU is for the Höegh LNG vessels assessed to be on a vessel by vessel basis. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement profit or loss.

Intangible assets

For intangible assets with indefinite useful lives and intangible assets in the development phase the Group performs impairment testing annually and when circumstances indicate that the carrying amount may be impaired. For intangible assets with finite lives impairment testing is carried out whenever there is an indication of impairment.

As part of the impairment testing, the Group estimates the recoverable amounts, which is the higher of the asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previous recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Impairment losses related to goodwill cannot be reversed.

O) Interest bearing debt

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

P) Marketable securities

Initial recognition

The Group determines the classification of its marketable securities at initial recognition

Subsequent measurements

Marketable securities are classified as held for trading since they are acquired for the purpose of selling or repurchasing in the near term. The marketable securities portfolio is classified as current assets. Fair value changes and realized gains and losses are presented as financial income and financial expense. Fair value is determined by observable market data.

Q) Defined benefit plans and pension contributions

Norway

The Group has a defined benefit plan for employees in Norway. The liability recognised in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The Group has chosen to continue recognizing actuarial gains and losses arising due to new information and changes according to corridor method which is amortization over the expected remaining service period and not in other comprehensive income which became an option in 2011.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method aligned with the projected assumptions defined by Norsk Regnskapsstandard (NRS). The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have the terms to maturity approximating to the terms of the related pension liability.

United Kingdom

In addition to the defined benefit plan described above, the Group makes contributions to a pension plan in the UK. The pension contributions are charged as expenses as they are incurred. The Group's obligation is limited to the amount of the contributions paid.

Singapore

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

S) Related party

Parties are related if one party has the ability, directly, jointly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Key management is also considered to be a related party. All transactions between the related parties are recorded at estimated market value.

T) Events after balance sheet date

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are disclosed if significant.

U) New standards, amendments and interpretations

The Group has adopted the new IFRS standards, amendments and interpretations that became effective as of 1 January 2011, however none of them had a material impact on the Groups financial statements.

IFRS 7 –Disclosure of financial instruments

Clarifications to the disclosures of financials instruments are defined in an improved IFRS 7. Interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments are emphasised.

IAS 24–Related party disclosures

The IASB has amended IAS 24 in an effort to simplify the identification of related party relationships and re-balance the extent of disclosures of transactions between related parties based on the costs to preparers and the benefits to users in having this information available in financial statements. The definition of related party has been amended / clarified.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but have not been early adopted by the Group.

IAS 19 –Employee benefits

This standard was amended in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income (OCI) as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). If the Group had chosen to adopt this standard from 2011, net pension expenses and OCI would have been increased by USD 25 thousand.

IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Currently the Group recognizes its interest in Joint Ventures using the proportionate consolidation method. The Group has not yet assessed the full impact of the new standard.

IFRS 9 – Financial instruments

This standard is the first step in the process to replace IAS 39 – Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. It is not applicable until 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The adoptions of the first phase of IFRS 9 could have an effect on the classification and measurement of the Group's financial assets. The Group is yet to assess the full impact of this standard.

IFRS 10 – Consolidated Financial Statements

This standard replaces the portion of IAS 27 – Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 – Joint Arrangements

This standard replaces IAS 31 – Interest in Joint Ventures and SIC-13 – Jointly –controlled Entities – Non-monetary Contributions by Venturers. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. On 1 January 2013 when IFRS 11 becomes effective, the Group will change from proportional consolidation of Joint Ventures to recognition according to the equity method. This will give significant impact on the classification of presentation in the statement of comprehensive income and in the statement of financial position. From 1 January 2013, the share of profit or loss from the venturer will be recorded on one line in the statement of comprehensive income, with an adjustment against the net recorded value of the venturer in the statement of financial position.

IFRS 12 – Disclosures of interest in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 – Fair Value Measurement

This standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Note 2.2 // Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements which affect the application of the accounting principles and the reported amounts of assets and liabilities, revenues and expenses. Estimates are based upon management's best knowledge of information available at the date the financial statements are authorised for issue. In many circumstances, the ultimate outcome related to estimates and assumptions may not be known for several years after the preparation of the financial statements.

Judgements and estimates for Höegh LNG are mainly related to following items:

- Intangible assets: (Assumptions behind the value in use model)
- Vessels (Useful life and residual values in depreciation profile)
- Lease agreements (Operational versus financial lease)
- Interest rate swaps (Assessment to the hedge effectiveness)

Depreciation of vessels

Depreciation of vessels is based on the expected useful lifetime for vessels. This is to some extent influenced by future market conditions and future scrap prices. The future scrap prices are depending on the steel prices and are annually reassessed. In case of significant changes in estimated useful lifetimes, depreciation is adjusted prospectively. As of 1 January 2011 Höegh LNG has not made any changes to the estimated useful lifetime of its vessels.

Impairment of intangible assets

Höegh LNG reviews periodically whether cash-generating units containing intangible assets have suffered any impairment. The recoverable amounts have been determined based on value-in-use calculations. The impairment testing for cash-generating unites requires a number of estimates and judgements in order to calculate the net present value of estimated future cash flows such as the development in project revenues and costs, the discount rate etc. The key assumptions used for the impairment testing are discussed in note 20.

The impairment calculations demand a high degree of estimation and Management must make complex assessments in regard to the expected cash flows arising from such assets and the discount rates. Changes to these estimates could significantly impact any recognised impairment.

Lease contracts – the Group as lessor

The Group only has operating leases as lessor. This evaluation of the lease as finance or operational lease involves estimation and judgement. The evaluation is based on the substance of the transaction rather than the form of the contract.

Note 3 // Interest in joint ventures

Höegh LNG has ownership of 33.00%, 33.98% and 50.00% interest in joint ventures (See Note 39). The Group's shares of assets, liabilities, income, expenses and cash flows of jointly controlled entities for the years 2011 and 2010, are as follows:

2011	Methane Carriers Ltd. (50%)	Joint Gas Ltd. (33.98%)	Joint Gas Two Ltd. (50%)	SRV Joint Gas Ltd (50%)	SRV Joint Gas Two Ltd (50%)	PNG Floating LNG Limited (33%)	Total Joint Ventures
Income on T/C basis	6 386	0	-	20 300	20 274	-	46 960
Operating and adm. expenses	(3 627)	(807)	(270)	(3 716)	(3 858)	(117)	(12 395)
Depreciation	(1 013)	(2 068)	(3 029)	(5 193)	(5 141)	-	(16 443)
Net financial income/expenses	(1)	(3 349)	(4 804)	(8 369)	(8 579)	-	(25 101)
Profit /(loss) before tax	**1 746**	**(6 224)**	**(8 103)**	**3 022**	**2 695**	**(117)**	**(6 863)**
Other comprehensive income	**-**	**(5 611)**	**(8 039)**	**(17 097)**	**(17 963)**	**-**	**(48 711)**
							-
Non-current assets	3 481	48 062	80 348	158 449	160 808	-	451 148
Current assets	1 323	1 165	2 670	3 110	3 121	454	11 843
							-
Non-current liabilities	-	(76 762)	(108 731)	(184 505)	(190 715)	-	(560 713)
Current liabilities	(816)	(2 414)	(3 506)	(6 148)	(6 268)	-	(19 153)
Equity	**3 988**	**(29 949)**	**(29 219)**	**(29 094)**	**(33 053)**	**454**	**(115 696)**
Cash flows from operation	3 669	6 038	8 177	16 002	13 714	-	47 600
Cash flows used in investing activities	(740)	-	1	(66)	(803)	301	(1 306)
Cash flows from financing activities	(3 550)	(5 981)	(7 955)	(16 841)	(16 178)	-	(50 505)
Net increase/(decrease)	**(621)**	**57**	**223**	**(905)**	**(3 266)**	**301**	**(4 211)**

2010	Methane Carriers Ltd. (50%)	Joint Gas Ltd. (33.98%)	Joint Gas Two Ltd. (50%)	SRV Joint Gas Ltd (50%)	SRV Joint Gas Two Ltd (50%)	Total Joint Ventures
Income on T/C basis	5 231	-	-	19 868	11 657	36 756
Operating and adm. expenses	(3 658)	(8)	(33)	(3 442)	(2 137)	(9 278)
Depreciation	(358)	(2 068)	(3 029)	(5 190)	(2 993)	(13 638)
Net financial income/expenses	3	(3 488)	(4 956)	(8 677)	(6 104)	(23 222)
Profit /(loss) before tax	**1 218**	**(5 564)**	**(8 018)**	**2 559**	**423**	**(9 382)**
Other comprehensive income	**-**	**(1 398)**	**(1 877)**	**(6 270)**	**(10 179)**	**(19 725)**
Non-current assets	4 493	59 288	83 377	163 663	162 824	473 645
Current assets	3 609	1 107	2 447	4 049	6 737	17 949
Non-current liabilities	-	(69 999)	(98 995)	(164 424)	(168 147)	(501 565)
Current liabilities	(2 166)	(5 212)	(7 608)	(13 736)	(14 486)	(43 208)
Equity	**5 936**	**(14 816)**	**(20 779)**	**(10 448)**	**(13 072)**	**(53 179)**
Cash flows from operation	1 478	5 609	8 159	9 213	7 500	31 957
Cash flows used in investing activities	(1 748)	-	(1)	(502)	(53 486)	(55 737)
Casf flows from financing activities	-	(5 555)	(7 238)	(12 690)	50 877	25 395
Net increase in cash and cash equiva	**(271)**	**54**	**920**	**(3 979)**	**4 890**	**1 615**

Note 4 // Revenues

Höegh LNG is a fully integrated LNG transportation company operating and managing seven LNG carriers of which five are partly owned by Höegh LNG. In addition the Group has two car carriers in operation.

Freight revenues	Share	2011	2010
Arctic Lady	100 %	24 104	24 419
Arctic Princess	100 %	27 392	24 802
Norman Lady	50 %	6 454	5 436
Gdf Suez Neptune	50 %	20 378	19 869
Gdf Cape Ann (from 1 June 2010)	50 %	20 404	11 659
Car Carriers	100 %	6 400	5 790
Total		**105 133**	**91 975**

Management and other income	2011	2010
Commercial Management fee	575	456
Technical Management fee	2 282	1 627
Success fees	556	-
Other revenues	1 364	1 402
Total	**4 777**	**3 485**

The vessels are owned through single purpose companies, in which Höegh LNG has 33%, 33.98% and 50% ownership. Reference is made to Note 39 disclosing the Group's subsidiaries and joint ventures.

Arctic Princess and Arctic Lady are bare-boat chartered to Leif Höegh (UK) Ltd, which is a wholly owned subsidiary of Höegh LNG, and therefore shown on a 100% basis in the freight revenue disclosure above.

STX Frontier was delivered to Höegh LNG as manager of the vessel on 2 June 2010. The vessel commenced her charter with Repsol on 1 July 2010. Höegh LNG receives a daily fee as recognition for securing the employment of the vessel and administrating the charter party with Repsol. This revenue is recognised as other revenues within management income. The Group has an option to purchase 50% or 100% of the vessel at the end of the charter party in 2013, or earlier if the charter party is terminated.

The charterer of the SRVs, GDF Suez Global LNG Supply SA, has a termination right that may be exercised earliest with effect from end of sixth year being 2015 and 2016 for GDF Suez Neptune and GDF Suez Cape Ann, respectively, and onwards throughout the term of the charter party against a lump-sum subject to a two year prior notice.

The below table specifies the expected time charter hire to be received from 1 January 2012 to the end of the firm charter party for each of the Group's vessels.

Expected future T/C income	Share	< 1 year	1 to 5 years	> 5 years	Total
Norman Lady	50 %	3 791	-	-	3 791
Arctic Lady	100 %	25 684	104 275	250 609	380 567
Arctic Princess	100 %	25 583	104 582	247 408	377 573
GDF Suez Neptune	50 %	20 672	83 773	286 015	390 460
GDF Suez Cape Ann	50 %	20 343	82 313	289 752	392 408
Total		**96 073**	**374 943**	**1 073 783**	**1 544 800**

The estimated future time charter hire revenues are based on assumptions of expected capital expenditure adjustments and off-hire.

Note 5 // Segment information

The Group's reporting structure, as reported to the executive management (chief decision maker), is broken down into the following three operating segments:

- LNG transportation
- Floating regas
- Project development

The LNG transportation segment shows the income on T/C basis from the regular LNG carriers, Arctic Princess (on a 100 % basis), Arctic Lady (100 %), Norman Lady (50 %) and management income, which is the net revenue of USD 2 000 per day from STX Frontier. The segment contains charter hire expenses, i.e., bare boat hire paid to external owners for Arctic Princess (66 %) and Arctic Lady (50 %), as well as operating expenses for Arctic Princess (100 %), Arctic Lady (100 %) and Norman Lady (50 %).

The floating regasification segment shows the income on T/C basis and the operating expenses from the shuttle and regasification vessels GDF Suez Neptune (50 %) and GDF Suez Cape Ann (50 %).

The project development segment contains income, expenses and capitalised costs relating to the Group's development of floating regasification terminals and floating production vessels for LNG.

In addition to the above segments, the Group has segments that do not individually meet the quantitative threshold to report segment information. Further, administrative costs are managed on a group basis and are not allocated to operating segments. Such segments and administrative expenses are aggregated to form "Other segments / Administrative expenses".

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on "Operating profit before depreciation" and is measured consistently with the consolidated financial statements. No segment assets or segment liabilities are part of the information regularly provided to executive management, except for capitalized project development costs within the project development segment.

Year ended 31 December 2011	LNG transportation	Floating regas	Project development	Other segments / Administrative expenses	Consolidated
Income on T/C basis	57 821	40 782	-	6 400	105 003
Management income	730	-	397	3 651	4 777
Total income	**58 551**	**40 782**	**397**	**10 050**	**109 780**
Charterhire expenses	(20 130)	-	-	-	(20 130)
Operating expenses	(19 113)	(7 393)	-	(5 927)	(32 433)
Administrative expenses	-	-	-	(16 982)	(16 982)
Project development expenses	-	-	(14 160)	-	(14 160)
Operating profit before depreciation	**19 308**	**33 388**	**(13 764)**	**(12 859)**	**26 075**
Total assets	**137 049**	**325 488**		**282 117**	**744 655**
Total liabilities	**(192 230)**	**(387 636)**		**(31 502)**	**(611 368)**
Capitalized project development exp.[1]	**-**	**-**	**81 955**	**-**	**81 955**

In the project development segment, goodwill recognized from the acquisition of Compressed Energy Technology AS in 2009, is impaired in full by USD 1.4 million in 2011

Year ended 31 December 2010	LNG transportation	Floating Regas	Project development	Other segments / Administrative expenses	Consolidated
Income on T/C basis	54 126	31 528	-	5 790	91 443
Management income	470	-	-	3 016	3 486
Total income	**54 595**	**31 528**	**-**	**8 806**	**94 929**
Charterhire expenses	(19 244)	-	-	-	(19 244)
Operating expenses	(16 213)	(5 544)	-	(5 320)	(27 077)
Administrative expenses	-	-	-	(13 549)	(13 549)
Project development expenses	-	-	(11 076)	-	(11 076)
Operating profit before depreciation	**19 138**	**25 984**	**(11 076)**	**(10 064)**	**23 983**
Total assets	**154 321**	**337 273**		**157 126**	**648 720**
Total liabilities	**(183 980)**	**(360 793)**		**(30 912)**	**(575 685)**
Capitalized project development exp.[1]	**-**	**-**	**80 058**	**-**	**80 058**

[1] Increased by USD 5.6 million from USD 74.5 million since 31 December 2009

The Company is domiciled in Bermuda. The Group revenue from external customers in Bermuda is USD 0.0 million. The breakdown of the major components of the total of revenue from external customers from other countries is disclosed above. In 2010 and 2011 three customers represented income that amounted to 10% of more of total income.

Table below lists specifies the Group's recognition of income on time charter (T/C) basis by customers:

	2011	2010
Statoil ASA	27 392	24 558
Total E&P Norge AS	24 043	24 339
GDF Suez Global LNG Supply SA	40 782	31 528
Other customers	12 786	11 021
Total	**105 003**	**91 445**

Statoil ASA, Total E&P Norge AS and other customers represent the LNG transportation segment. Gdf Suez Global LNG Supply represents the segment of Floating Regas.

Note 6 // Charter hire expenses

Leif Höegh (UK) Ltd bare-boat charters Arctic Princess and Arctic Lady from the ship owning joint venture companies, in which Höegh LNG has 33.98% and 50% ownership respectively. The charter hire expenses represent the portion of the bare-boat hire relating to the external ownership in the ship owning joint venture companies (See Note 39).

		2011	2010
Charterhire expenses Arctic Lady	50,00 %	8 278	8 225
Charterhire expenses Arctic Princess	66,02 %	11 852	11 019
Total charterhire expenses external ownership		**20 130**	**19 244**

Note 7 // Operating expenses

	2011	2010
Wages	10 872	10 165
Bonus	468	589
Employer's contribution	1 284	1 226
Other social costs	1 254	975
Total wage costs	**13 878**	**12 956**
Services	2 065	1 927
Spare parts/consumables	6 981	3 231
Damage expenses	21	239
Insurance	2 985	3 060
New installations	111	151
Ship management/other	6 391	5 512
Total operating expenses	**32 432**	**27 076**

Number of seafarers	2011	2010
Seafarers	347	347
Total	**347**	**347**

The increase in operational expenses from 2010 to 2011 is mainly due to GDF Suez Cape Ann being delivered 1 June 2010 and unscheduled dry docking costs relating Arctic Princess in 2011.

Note 8 // Administrative expenses

	2011	2010
Wages	5 781	6 051
Benefits employees	294	93
Bonus	1 993	614
Pension costs	1 310	1 242
Other social costs	1 078	51
Total wage costs	**10 456**	**8 051**
Administration cost	4 042	4 414
Consultants/Lawyers *	2 279	934
Remuneration board members	205	150
Total administrative expenses	**16 982**	**13 549**

Number of employees	2011	2010
Office employees	69	62

Of the total costs generated from the IPO process (USD 6.5 million), USD 1.1 million is expensed as consultancy, legal and audit fees whilst USD 5.4 million is recorded against equity. Höegh LNG has recorded the costs following the initial public offering between the newly issued shares and the existing shares on a rational basis according to IAS 32. See Note 36, transactions with related party, for remunerations made to key management.

Note 9 // Project development expenses

	2011	2010
Wages	4 705	4 060
Benefits employees	135	76
Bonus	633	618
Pension costs	767	573
Other social costs	602	37
Total wage costs	**6 842**	**5 364**
Administration costs	3 309	1 960
Consultants/Lawyers	4 009	3 752
Total project development expenses	**14 160**	**11 076**

Project development expenses represent the commercial project activities which are not subject for capitalization. See Note 20 for the Group's capitalizations of investments in licenses, design and other intangibles.

Cost per Project:	2011	2010
Project Development Oslo	6 412	2 913
FPSO	6 483	4 575
Port Dolphin Energy LLC	730	1 077
Port Meridian Energy Ltd	161	874
Standard LNG	250	-
Cetech	124	1 637
Total project development expenses	**14 160**	**11 076**

Note 10 // Interest income

	2011	2010
Interest on cash at banks	135	59
Other interest income	4	44
Interest on loan to related parties (See Note 36)	530	121
Total	**669**	**224**

Note 11 // Interest expenses

	2011	2010
Interest cost related to lease liabilities	8 154	8 443
Interest cost related to mortgage debt	17 047	13 992
Arrangement fee related to Neptune loan facility		
Total	**25 200**	**22 435**

Note 12 // Income from other financial items

	2011	2010
Gain on marketable securities (See Note 25)	103	553
Currency gain	646	316
Other financial income	28	39
Total	**777**	**908**

Note 13 // Expenses from other financial items

	2011	2010
Loss on marketable securities (See Note 25)	5	-
Currency loss	501	-
Bank expenditures	65	47
Other financial cost	40	-
Total	**611**	**47**

Note 14 // Taxes

Companies within the Group operate in jurisdictions where taxes are imposed, mainly Norway, UK, US and Singapore. Consequently, income taxes may be recognised in these jurisdictions. At present, the expected taxes payable are incurred in UK and Singapore:

Tax payable	2011	2010
Leif Höegh (UK) Limited	460	712
Höegh LNG Asisa Pte Ltd	38	-
Total tax payable at 31 December	**498**	**712**

The Group's operational activities are subject to corporate taxation rates between 0 % and 35 %. The components of income tax expense are presented below:

Current income tax	2011	2010
Current income tax charge	103	596
Adjustments in respect of current income tax of previous years	(304)	191
Current income tax expense/(income)	**(201)**	**787**

There are no current or deferred tax items relating to other comprehensive income or charged or credited directly to equity. Reconciliation of tax expense and the product of accounting profit multiplied by Bermuda corporate tax rate for the years ended 31 December 2011 and 2010 are:

Reconciliation of income tax expense	2011	2010
Profit/(loss) before income tax	(17 884)	(11 183)
At Bermuda's statutory income tax rate of 0 %	-	-
Non deductible expenses for tax purposes	13	1
Adjustments in respect to current income tax of previous years	(304)	191
Effect of higher tax rates outside Bermuda	90	595
Income tax expense/(income) reported in the income statement	**(201)**	**787**
Effective tax rate	1,1%	-7,0%

Deferred tax relates to the following:

Deferred tax assets	2011	2010
Fixed assets	(29)	-
Pensions	769	210
Losses carried forward	3 302	3 080
Losses carried forward not recognized	(3 302)	(3 080)
Total deferred tax assets at 31 December	**740**	**210**

The Group has tax losses in Norway brought forward of about USD 11.8 million as at 31 December 2011 (2010 USD 12.6million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets to tax losses brought forward per 31 December is not recorded as criteria for recognition is not met. There is no time limit to carry forward tax losses in Norway.

The tax effect of transaction costs' amounting to USD 5.4 million recorded against equity is 0.

Note 15 // Earnings per share

Basic and diluted earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of shares outstanding during the year. Treasury shares are not a part of the outstanding shares. The Company holds 1 211 738 of treasury shares as at 31 December 2011 (31 December 2010: 55 270).

The following reflects the net profit and outstanding shares used in the basic and diluted calculation:

	2011	2010
Net profit attributable to equity holders of the parent company	(17 597)	(11 357)
Number of outstanding shares 1 January	27 002 389	26 702 389
Number of oustanding shares 31 December	45 797 432	27 002 389
Weighted average number of outstanding shares	36 346 214	26 727 389

Note 16 // Non-current financial asset

	2011	2010
Loan to employees (See Note 36)	107	487
Carrying amount at 31 December	**107**	**487**

Note 17 // Other non-current financial liabilities

The Group has entered into interest rate swap agreements in the following joint ventures: Joint Gas Ltd, Joint Gas Two Ltd, SRV Joint Gas Ltd and SRV Joint Gas Two Ltd. The interest rate swap agreements are designated as effective hedging instruments. The non-current portion of the interest rate swap agreements' mark-to-market as at 31 December is presented below. For further information on interest rate swaps, see Note 26.

	2011	2010
Interest rate swaps - designated as hedge reserves	113 606	60 164
Total non-current financial liabilities	**113 606**	**60 164**

Note 18 // Interest bearing receivables

	2011	2010
Promissory note *	-	51 068
Other receivables	-	1 560
Total	**-**	**52 628**

*The promissory note issued to Aequitas Investments Limited in 2010, was settled in full during April and May 2011 including accrued interest. See Note 36 for disclosures of transactions with related parties.

Note 19 // Impairment

The entire goodwill derived from the acquisition of Compressed Energy Technology AS in June 2009 amounting to USD 1.4 million is impaired in 2011 (See Note 20).

	2011	2010
Impairment of goodwill	1 363	-
Total	**1 363**	**-**

Note 20 // Licenses, design and other intangibles

Intangible assets have been allocated to four cash generating units (CGUs) for impairment testing as follows:

- FLNG front-end engineering design
- Port Meridian
- Port Dolphin
- Compressed Energy Technology patents and goodwill

Carrying amount allocated to each of the cash generating units:

	2011	2010
FLNG front-end engineering design	37 002	36 154
Port Dolphin permits	34 739	32 357
Port Meridian permits	9 027	8 917
Compressed Energy Technology patents and goodwill	1 187	2 630
Carrying amount at 31 December	**81 955**	**80 058**

All of the carrying amounts relate to the Business Development segment.

The patents relating to Compressed Energy Technology are depreciated. The other assets are not subject to depreciation until the respective projects are completed. The Port Dolphin and Port Meridian permits will have to be renewed if a final investment decision is not made within the time frame of the permits.

The Group performed its annual impairment test as at 31 December 2011. When reviewing for indicators of impairment, the Group considered general market conditions, such as the fact that the demand for liquid natural gas has continued to increase and thereby strengthened the basis for the three liquid natural gas related cash generating units. Despite the positive developments within the liquid natural gas markets, the commercialisation of the technology for compressed natural gas within the wholly owned subsidiary Compressed Energy Technology AS has progressed less than anticipated and an impairment charge on the entire USD 1.4 million of goodwill relating to the acquisition of the company has therefore been made.

The value in use calculations are based on long-term cash flows, since it is industry practise that LNG infrastructure assets normally are purpose built based on long-term agreements.

The commercial risks for all the cash generating units being tested are mainly related to (i) the ability to secure long-term contracts at satisfactory terms and (ii) construction cost overrun risks. Other risks are similar to the Group's general risks as described in the Directors' Report.

For all the cash generating units, the outcome is binary in the sense that the Group will need long-term contracts in order to make a final investment decision for each project. If no such decision is made, the relevant asset will be impaired.

Additions, disposals, depreciation and impairment:

	2011	2010
Cost at 1 January	80 058	74 487
Additions	3 341	8 602
Disposals (Triton)	-	(2 900)
Depreciation of patents	(81)	(131)
Impairment and depreciation (See Note 19)	(1 363)	-
Cost at 31 December	**81 955**	**80 058**

FLNG front-end engineering design

Since 2006, Höegh LNG has invested more than 300 000 engineering man-hours in a front end engineering design ("FEED") of a floating LNG production, storage and offloading solution ("FLNG"). The FEED comprises a comprehensive design of an FLNG facility producing 2-3 million tonnes of LNG per year. The solution includes the required gas pre-treatment facilities as well as power generation to allow the FLNG to serve as a self contained unit. The FLNG facility is designed self-propelled and dis-connectable, to be able to disconnect and move for safety reasons in extreme weather conditions. The FLNG design is suited to cover a large range of gas compositions and operating conditions like water depths and meteorological and oceanographic conditions.

The key results from the FEED are:

- "Approval in Principle" from Det Norske Veritas confirming that the FLNG design is in compliance with all applicable rules and regulations.
- A quantitative risk analysis proving that the FLNG facility is safe to operate.
- Model tank tests proving the operational aspects , including verification that the membrane cargo containment system is fit for the purpose.
- Confirmation that the base case turbo expander liquefaction system is suited for floating applications due to its simplicity and safety in operations.
- Commissioning, start-up and operations procedures.

The group is now doing engineering work for the use of this facility on specific gas fields. The plan is to build, own and operate it once a satisfactory long-term contract is in hand.

The recoverable amount of the FLNG front-end engineering design has been determined based on a value in use calculation using cash flow projections for a specific 55 % owned FLNG project covering the four year construction period and the 20 year operating period of the specific project. The pre-tax discount rate applied to cash flow projections is 10.8 % (2010: 9.4 %). The residual value after the 25 year prognosis period has been assumed to be 10 % of the initial investment indexed by the 2.5 % inflation assumption to the end of the period. Five scenarios have been analysed. Four of them being represented by combinations of high and low lease rates, with or without construction cost overruns. A fifth scenario is that the FLNG is not built. Each scenario has been allocated a probability. As a result of the analysis, the Group did not identify any impairment for this cash generating unit to which intangible assets of USD 37 million are allocated.

Port Meridian permits

Port Meridian is a floating LNG import terminal located in the East Irish Sea off the west coast of the UK. The terminal's storage and re-gasification capacity is intended to be provided by a permanent floating storage and re-gasification unit ("FSRU") connected to a pipeline. The project is being marketed to LNG commodity owners and traders as a terminal system. The asset consists of permits for the construction and operation of a floating LNG terminal connected to the National Grid. The majority of the project development costs are related to the use of consultants and legal advisors, in addition to internally generated costs, for the preparation of the document filing with UK authorities necessary for obtaining the licences.

The project is now being marketed to potential users, and the plan is to build, own and operate the terminal once satisfactory long-term contracts have been entered into. Höegh LNG's ambition is to reach a final investment decision by the end of 2012. Should no such decision be taken within a reasonable time frame, there is a risk of impairment.

The recoverable amount of the Port Meridian permits is also determined based on a value in use calculation using cash flow projections covering a three year construction period and a 20 year operating period. The pre-tax discount rate applied to the cash flow projections is 9.7 % (2010: 8.8 %). The residual value after the 24 year prognosis period has been assumed to be 26 % of the initial investment indexed by the 2.5 % inflation assumption to the end of the period. Five scenarios have been analysed. Four of them being represented by combinations of high and low lease rates, with or without construction cost overruns. A fifth scenario is that the terminal is not built. Each scenario has been allocated a probability. As a result of the updated analysis, the Group did not identify any impairment for this cash generating unit to which intangible assets of USD 9 million are allocated.

Port Dolphin permits

Port Dolphin is a floating LNG storage and regasification terminal designed to host a permanently moored FSRU, located off the west coast of Florida, outside Tampa Bay. It consists of the FSRU, a buoy and a pipeline to shore, connecting the terminal to the existing gas grid in Florida. The intangibles relating to Port Dolphin comprises the main licenses and permits obtained and expenses incurred in obtaining these.

The import terminal has received its essential federal permits, including the US Federal Deepwater Port License. The original permits are for the use of shuttle and regasification vessels. The current plan is to change these to allow the use of stationary floating storage and regasification units. It is Höegh LNG's understanding that this will be possible without significant additional costs and time. The project is now being marketed to potential users, and the plan is to build, own and operate the terminal once satisfactory long-term contracts have been entered into.

The recoverable amount of the Port Dolphin permits is also determined based on a value in use calculation using cash flow projections covering a three year construction period and a 20 year operating period. The pre-tax discount rate applied to the cash flow projections is 9.3 % (2010: 8.8 %). The residual value after the 24 year prognosis period has been assumed to be 21 % of the initial investment indexed by the 2.5 % inflation assumption to the end of the period. Five scenarios have been analysed. Four of them being represented by combinations of high and low lease rates, with or without construction cost overruns. A fifth scenario is that the terminal is not built. Each scenario has been allocated a probability. As a result of the updated analysis, the Group did not identify any impairment for this cash generating unit to which intangible assets of USD 35 million are allocated.

While the United States generally has a surplus of natural gas, Florida is a peninsula which does not have its own gas reserves. Florida is therefore dependent on natural gas imports from other states. Today, gas is supplied through a pipeline connecting Florida to the main U.S. market. With current growth patterns, it is expected that the capacity of this pipeline will be fully utilised within the next four to five years. Florida may then have to look for other ways of importing natural gas. One such option is the use of a floating LNG import terminal. This is a quick, relatively inexpensive and flexible solution. Another alternative may be the construction of a new pipeline from the main U.S. gas grid.

Any potential decision by a third party to build a new pipeline from the main gas grid in the United States to Florida would entail a significantly increased risk of impairment. Such a decision is outside Höegh LNG's control and could potentially be made in 2012.

Compressed Energy Technology patents and goodwill

The Group's wholly owned subsidiary, Compressed Energy Technology AS ("CETech") started as a joint industry development project in 2002 together with Det Norske Veritas, Statoil and Teekay. The focus has been on development, design and technical qualification of a large composite tank capable of containing compressed natural gas (CNG). Two ship concepts have been created; the CNG Shuttle concept and the CNG Shuttle Producer concept. Development of a viable tank concept for storage of large volume CNG is under development and completion of testing and technical qualification will only be done in cooperation with a partner. CETech's objective is to develop and commercialise technology for marine transportation of CNG including development of ship concepts and finalising the technology qualification and approval processes for CETech's proprietary tank technology. From the end of 2011, the Group has been marketing the technology and the subsidiary with a view to selling either or both.

The recoverable amount of Compressed Energy Technology AS's patents has been determined based on an assessment of fair value less costs to sell, based on the Group's market assessment after having marketed the subsidiary or its business for sale. As a result of the updated analysis, the Group has identified an impairment of the entire goodwill of USD 1.4 million relating to this cash generating unit (See Note 19). After the impairment, intangible assets consisting of patents recognised at USD 1.2 million are allocated to this cash generating unit.

There is no goodwill related to any of the other cash generating units.

Key assumptions used in value in use calculations

The recoverable amount each for the cash generating units has been determined based on cash flow projections approved by the Board of Directors, which is based on assumptions regarding construction cost and financing, assuming a limited recourse project.

The calculations of values in use are most sensitive to the following assumptions:

Capital investment, and Capital lease rate

Capital investment The capital investment have been calculated for each of the cash generating units based on engineering studies and prices obtained from potential suppliers.

Capital lease rates – Capital lease rates have been calculated based on the Group's internal rate of return requirement for each cash generating unit.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate represents the current market assessment of the weighted average cost of capital (WACC) specific to each cash generating unit.

Sensitivity to changes in assumptions

For all the cash generating units, the estimated recoverable amounts significantly exceed their carrying value. Still, materially adverse changes in key assumptions could result in an impairment loss. The implications of changes to the key assumptions for the recoverable amount are discussed below:

Capital investment assumptions – The Group has considered the possibility of capital investment overruns for the FLNG, Port Meridian and Port Dolphin cash generating units. Should the Group be unable to pass on, or absorb through efficiency improvements, cost overruns exceeding 38 % for the FLNG, 21 % for Port Meridian and 27 % for Port Dolphin impairment may result.

Capital lease rate assumptions – The Group recognises that competition can have a significant impact on the capital lease rate assumptions. Should the Group be unable to pass on or absorb through efficiency improvements a reduction in the capital lease rate of 27 % for the FLNG, 19 % for Port Meridian and 20 % for Port Dolphin, impairment may result.

Investment decisions are targeted to be made by the end of 2012. In the event that no investment decisions are made, the total carrying amount of USD 82.0 million could be impaired.

The impairment review of Port Dolphin is based on the assumption that no investment decision is made by any party to build a new pipeline supplying gas from the main U.S. gas grid to Florida. A change in this assumption could lead to impairment of the carrying value of USD 34.7 million. Any such third party decision is outside of Höegh LNG's control and could happen even as soon as in 2012.

Note 21 // Vessels, newbuildings and equipment

Tables below reconcile the carrying value of vessels as at 31 December:

Vessels	2011	2010
Cost at 1 January	506 094	340 041
Additions Vessel	768	162 245
Additions dry docking	-	3 808
Cost at 31 December	506 862	506 094
Accumulated depreciation 1 January	(39 891)	(26 788)
Depreciation charge vessels	(15 592)	(12 985)
Depreciation charge dry docking	(1 625)	(118)
Accumulated depreciation 31 December	(57 108)	(39 891)
Net carrying amount at 31 December	**449 754**	**466 203**

The components in the net carrying amounts as at 31 December are:

Net carrying amount 31 December	2011	2010
Vessels	441 609	456 271
Drydocking	3 034	4 659
Depot spares	5 111	5 273
Net carrying amount at 31 December	**449 754**	**466 203**

Arctic Princess and Arctic Lady are recorded as vessels following the Group being a lessee of these financials leases. Carrying amount as at 31 December 2011 is USD 139.6 million (31 December 2010: USD 145.4 million). Norman Lady is fully depreciated to a residual value of USD 2.7 million.

On 10 June 2011 the Group signed and entered into firm shipbuilding contracts with HHI for the building of the two FSRUs. They are scheduled to be delivered in the fourth quarter of 2013 and in the first quarter of 2014, respectively. For commitments, see Note 37.

Newbuildings	2011	2010
Cost 01.01	-	108 918
Borrowing cost	485	4 118
Instalments, yard	44 600	43 283
Other capitalized cost	7 816	5 927
Delivered	(768)	(162 246)
Net carrying amount at 31.12	**52 133**	-

Höegh LNG further exercised on 3 February 2012 an option for a new FSRU to be built at Hyundai Heavy Industries Ltd. in Korea. The FSRU will be delivered in the second quarter of 2014, and its specifications will be adapted to comply with relevant project requirements See Note 38 for events after balance sheet date and Note 37 for commitments.

Höegh LNG has further been granted a new option for one additional FSRU with delivery in the first quarter 2015, if exercised.

Equipment	2011	2010
Cost 01.01	1 947	979
Additions/(disposals) net	1 337	968
Cost at 31.12	3 284	1 947
Accumulated depreciation at 1 January	(565)	(446)
Depreciation charge	(415)	(119)
Accumulated depreciation and impairment at 31.12	(980)	(565)
Net carrying amount at 31.12	**2 304**	**1 382**

Table below summarizes the total depreciation recognised in the statement of comprehensive income:

Depreciation	2011	2010
Vessels	15 592	12 985
Drydocking	1 625	118
Equipment	415	119
Other	518	589
Total	**18 150**	**13 811**

Note 22 // Deposit for vessel acquisition

Höegh LNG entered into an agreement on 5 August 2011 to acquire the LNG Libra from BGT Limited, a subsidiary of Höegh LNG's long standing partner Mitsui OSK Lines. Per 31 December 2011 a deposit of USD 5.3 million is placed in an escrow account. The vessel is to be delivered in the second quarter of 2012. Reference is made to Note 38 for disclosures of events after balance sheet date. For commitment, see Note 37.

Note 23 // Non-current financial assets

	2011	2010
Dry docking roro vessels	977	1 412
Arrangement and agent fees paid	3 794	-
Commitment fee accrued	2 026	-
7 months amortization of fcommitment and arrangment fee	(485)	-
Pre-contract costs Indonesian FSRU-project *	1 804	-
Net carrying amount 31.12	**8 116**	**1 412**

*On 17 June 2011 Höegh LNG was selected as the preferred bidder in the bid for the LNG Floating Storage and Regasification Facilities in Indonesia. The project consists of a Floating Storage and Regasification Unit (FSRU), mooring system, offshore/onshore pipeline and onshore facilities. On 25 January 2012 Höegh LNG signed the firm and final agreement with PT Perusahaan Gas Negara. Incremental costs derived from the Indonesian project activity is capitalized with USD 1.8 million as pre-contracts costs in the period from 17 June 2011 to 25 January 2012. Reference is made to Note 38 for events after balance sheet day.

Note 24 // Trade and other receivables

	2011	2010
GDF Suez, Triton project	-	2 900
Charterer	242	-
VAT net receivable	506	584
Prepayments	1 911	1 763
Insurance claim	-	209
Receivables against external owners in Joint Ventures (Note 36)	421	-
Other receivables	1 770	1 759
Total	**4 850**	**7 215**

Note 25 // Marketable securities

Financial instruments within the Group's marketable securities portfolio are classified as held for trading investments and measured and presented at their fair values. Excess liquidity in Höegh LNG is used to invest in a security portfolio. The marketable securities are managed by Höegh Capital Partners ASA. See Note 36 for transactions with related party.

Reconciliation of balance at year-end	2011	2010
Market value of marketable securities at 1 January	-	66 196
Fair value change and gain/loss on realization of securities	98	553
Purchase of marketable securities	90 000	-
Sale of marketable securities	-	(66 749)
Market value of marketable securities at 31 December	**90 098**	**-**

Profit and loss effect	2011	2010
Bonds in portfolio	(5 189)	-
Other marketable securities in portfolio	6 405	-
Currency forwards	(1 043)	-
Administration costs portfolio	(75)	
CAP-fund	-	553
Total	**98**	**553**

The purpose of the portfolio is to earn a return after fees in excess of cash and time deposits, but risk profile is to be kept low and liquidity high. Investments are executed into short investment grade securities with average credit duration of less than two years. Investments are permitted in any currency, but currency risk should in such case be hedged.

The portfolio within the marketable securities, consist of following instruments:

	2011	2010
Norwegian Bonds	66 819	-
Foreign Bonds	15 562	-
Curency forwards	5 603	-
Cash holding	2 114	-
Marketable securities at fair value 31 December	**90 098**	**-**

The below table reconciles the annual realized and unrealized gains and losses on marketable securities:

Profit and loss effect	2011	2010
Unrealized loss on bonds in portfolio	(6 612)	-
Interest income	1 438	
Currency forwards	(1 043)	-
Other marketable securities in portfolio	6 390	
Administration costs portfolio	(75)	
CAP-fund	-	553
Total	**98**	**553**

Note 26 // Capital management and financial risk management objectives and policies

Capital Management

The objective of Höegh LNG's capital management is to maintain strong creditor and investor confidence and maximise shareholder value. The group seeks to maintain a balance between the advantages of a strong balance sheet and the benefits of high financial gearing, and be adequately capitalized given its existing business portfolio and commitments.

The majority of Höegh LNG's existing assets are financed at project level in special purpose companies ("SPC"), wholly or partly owned by the Group. Each SPC has a capital structure suitable for its purpose, taking into consideration the respective revenue and counter party risk, age of its asset and return on invested capital. On a consolidated basis, the Group has as of year-end 2011 a capital structure comprising 35.6% capital, net of hedging reserves, which is deemed sufficient given the nature of the Group's business. Höegh LNG is measuring the consolidated leverage net of hedging reserves as this in the Group's view to a greater extent reflects the current solidity of the Group.

	31.12.11	31.12.10
Total equity excluding of hedging reserves	264 936	155 973
Total assets	744 655	648 720
Equity ratio	**35,6 %**	**24,0 %**

As part of the Group's long term capital management strategy, Höegh LNG was listed at the Oslo Stock Exchange in June 2011 to facilitate the realization of its long term business plan. Höegh LNG raised approximately USD 130 million of equity in connection with the initial public offering and an additional approximately USD 200 million of equity in a subsequent private placement in February 2012. Proceeds from the capital transactions totalling approximately USD 330 million will be allocated the Group's expansion with floating regasification, and in particular the Indonesian FSRU project, the Lithuanian FSRU project, the third FSRU on order at Hyundai, and the acquisition of LNG Libra. Höegh LNG will in due course consider coming back to the capital market for additional funding to the extent additional capital should be needed.

Financial Risk

Höegh LNG is in the ordinary course of its business exposed to different types of financial risk including market risk (interest- and currency risk), credit risk and liquidity risk.

Market risk

Risk management routines have been approved by the Board in order to mitigate financial market risks. Once financial market risks are identified, appropriate mitigating actions are taken. Höegh LNG's primary strategy in mitigating financial market risks is to apply derivatives, where appropriate, in hedging the Group's various net financial market risks positions. The Group does not trade or use instruments with the objective of earning financial gains, nor does it use instruments where there is no underlying exposure. When the use of derivatives is deemed appropriate, only well-understood, conventional instruments issued by highly rated financial institutions are used.

Foreign exchange risks

Currency risks arise from business transactions, capitalized assets and liabilities denominated in currencies other than the reporting currency of the Group. The majority of Höegh LNG's business transactions, capitalized assets and liabilities are denominated in USD, and the Group is thus not in any material aspect exposed to foreign currency risks. The currency exposure which exists relates mainly to administrative expenses denominated in NOK, SGD and GBP, of which NOK represents the largest exposure.

Interest rate risks

All interest bearing debt within the Group is subject to floating interest rates, of which the majority has been swapped into fixed interest rates. The interest rate for the UK finance leases of Arctic Princess and Arctic Lady has been swapped into fixed rates for the full twenty-five year tenors by way of tailor-made interest rate swaps, while the interest rate relating to the financing of GDF Suez Neptune and GDF Suez Cape Ann has been hedged to 95.8% by way of tailor-made interest rate swaps with a 20 year maturity profile. As of 31 December 2011, the Group has the following interest rate swap agreements outstanding:

Ship owning company (vessel name)	100 %	HLNG share	Maturity	Interest
Joint Gas Ltd (Arctic Princess)	172 484	58 610	14.01.2031	5,0480 %
Joint Gas Two Ltd (Arctic Lady)	172 463	86 232	15.04.2031	4,7990 %
SRV Joint Gas Ltd (GDF Suez Neptune)	274 387	137 194	31.10.2029	5,3591 %
SRV Joint Gas Two Ltd (GDF Suez Cape Ann)	278 473	139 237	30.04.2030	5,3960 %
Outstanding notional amounts	**897 807**	**421 272**		

All interest rate swap agreements are hedging instruments recognised at fair value in the accounts of the Group. As at 31 December 2011, the total mark-to-market valuation of the Group's share of the interest rate swap agreements is negative by USD 131.6 m as specified below:

Ship owning company (vessel name)	100 %	HLNG share
Joint Gas Ltd (Arctic Princess)	58 478	19 871
Joint Gas Two Ltd (Arctic Lady)	50 057	25 029
SRV Joint Gas Ltd (GDF Suez Neptune)	84 890	42 445
SRV Joint Gas Two Ltd (GDF Suez Cape Ann)	88 610	44 305
Total swap derivates	**282 035**	**131 649**

The changes in the fair values of the Group's interest rate swaps are recognized as other comprehensive income (OCI). For 2011 the change in the fair value of the interest rate swaps was negative by USD 48.7 million compared to a negative OCI in 2010 of USD 19.7 million.

	2011	2010
Interest rate swaps - hedged 1 January	(82 938)	(63 214)
Interest rate swaps - hedged 31 December	(131 649)	(82 938)
Other comprehensive income (OCI)	**(48 711)**	**(19 725)**

The sensitivity of the mark-to-market valuation of the on interest rate swap agreements from a change in interest rate levels is illustrated in the table below (in USD million). The sensitivity to interest rate movements has an effect on the Group's other comprehensive income (OCI), and not on profit before tax

As at 31 December	Increase/decrease (basis points)	Effect on OCI (USD million)
2011	100	43
	(100)	(50)
2010	100	43
	(100)	(44)

Liquidity risk

Liquidity risk is the risk that the group will be unable to fulfil its financial obligations when they fall due. The table below illustrates the timing and magnitude of the Group's financial liabilities.

	< 1 year	1-5 years	> 5 years	Total
Year ended 31 December 2011				
Instalment on mortgage debt	8 625	47 237	239 638	295 499
Interest on mortgage debt *	16 457	60 196	67 014	143 667
Instalment on lease debt	4 247	19 450	121 144	144 842
Interest on lease debt *	7 767	27 834	50 879	86 480
Trade and other payables	6 646	-	-	6 646
Other financial liabilites	1 997	-	-	1 997
	45 739	**154 717**	**478 675**	**679 131**

*Interest on mortgage debt payments relating the mortgage debt and lease liabilities within the Group are calculated by the swapped fixed interest rate payments (interest rate swaps designated as effective hedges). The estimated maturity profile of the interest rate swaps on a standalone basis is presented below.

	< 1 year	1-5 years	> 5 years	Total
Year ended 31 December 2011				
Interest rate swaps designated as effective hedges hedging instruments	18 043	59 314	54 292	131 649
	18 043	**59 314**	**54 292**	**131 649**

The amounts related to interest cash flow hedges that were reclassified from other comprehensive income (OCI) to profit or loss for 2011 and 2010 are:

	31.12.11	31.12.10
Amounts reclassified from OCI to profit or loss for the period	(21 164)	(19 457)

Financial obligations relating to existing assets total approximately USD 584 million will be repaid through the cash flow from the respective asset. All existing vessels subject to debt financing are on long term charter contracts with creditworthy counter parties. With the exemption of GDF Suez Cape Ann and GDF Suez Neptune, which are subject to re-financing in year 2021 and 2022, respectively, no vessels are subject to re-financing.

Remaining payment obligations relating to existing expansion commitments as at 31 December 2011 total approximately USD 570 million. These commitments included the first two new FSRU ordered from Hyundai and the acquisition of LNG Libra, deducting instalment payments already made.

Höegh LNG had USD 36.4 million in cash and USD 90.1 million in marketable securities as of year-end 2011. The Group also had a USD 288 million debt facilities agreement in place providing 50 % funding for up to two of the FSRUs on order at Hyundai for up to three years after delivery. The facilities agreement may be used for the FSRUs currently on order and/or the optional vessels. The facilities are intended as a back-up financing should employment of the vessels not be secured before delivery.

As of 28 March 2012, the remaining payment obligations had increased to approximately USD 850 million, comprising the Indonesian FSRU project, the Klaipeda FSRU project, the third FSRU on order at Hyundai, and the acquisition of LNG Libra, with deductions for instalments paid both in 2011 and in the beginning of 2012. At the same time, a private placement and a subsequent share issue had strengthened the available equity by about USD 202 million.

Long-term project financing will be raised for all FSRU projects after project award and for LNG Libra prior to delivery of the vessel. It is expected that 70-80 % of delivered cost of the respective projects will be funded by long-term project debt financing.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Risk management routines are in place in order to minimize this risk. Vessels are only chartered out to internationally well recognized counterparties in the energy sector with an appropriate credit rating, and charter hires are payable monthly in advance. Cash funds are only deposited with internationally recognised financial institutions with a high credit rating, or invested in marketable securities issued by companies with a high credit rating. Höegh LNG has not provided any guarantees for third parties' liabilities (reference is made to Note 37), and the maximum exposure to credit risk is thus represented by the carrying amount of each financial asset, including financial derivatives, in the balance sheet. Below tables summarize maturity profiles of outstanding trade and interest bearing receivables as at 31 December 2011 and 2010:

2011	overdue	within 30 days	> 30 days	Total
Trade receivable	50	4 800	0	4 850
Total	**50**	**4 800**	**0**	**4 850**

2010	overdue	within 30 days	> 30 days	Total
Trade receivable	-	7 250	-	7 250
Interest bearing receivable	-	-	52 628	52 628
Total	**-**	**7 250**	**52 628**	**59 878**

The marketable securities amounting to USD 90.1 million as at 31 December 2011 are available as cash within 1-3 working days.

Above information is also to be considered to be the Group's maximum credit risk as of 31 December 2011 and 2010.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments included in the financial statements.

	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial instruments at fair value through profit or loss				
Marketable securities	90 098	-	90 098	-
Total financial instruments at fair value	**90 098**	**-**	**90 098**	**-**
Loans and receivables at amortised cost				
Trade and other receivables	4 957	7 702	4 957	7 702
Interest bearing receivables	-	52 628	-	52 628
Total loans and receivables	**4 957**	**60 330**	4 957	60 330
			-	-
Cash and cash equivalents (including restricted cash)	49 166	38 995	49 166	38 995
Total	**144 221**	**99 325**	**144 221**	**99 325**
Total current	**131 562**	**88 623**	**131 562**	**88 623**
Total non-current	**12 659**	**10 703**	**12 659**	**10 703**

	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	131 649	82 937	131 649	82 937
Total financial liabilities at fair value	**131 649**	**82 937**	**131 649**	**82 937**
Other financial liabilities at amortised cost				
Trade and other payables	6 646	8 334	6 646	8 334
Other financial liabilities	1 997	3 240	1 997	3 240
Interest-bearing loans and borrow ings	443 585	455 724	388 577	395 333
Total other financial liabilities at amortised cos	**452 228**	**467 298**	**397 220**	**406 907**
Total	**583 877**	**550 235**	**528 869**	**489 845**
Total current	**44 003**	**51 191**	**44 003**	**51 191**
Total non-current	**539 875**	**499 044**	**484 866**	**438 653**

The fair value of the financial assets and liabilities are recognized as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transaction. The following methods and assumptions were used to estimate the fair values:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Long-term fixed rate and variable-rate receivables and borrowings are evaluated based on interest rates .The carrying amounts are not materially different from their calculated fair values.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Höegh LNG enters into derivative financial instrument with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuations techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Valuation is performed by banks.

Fair value hierarchy

As at 31 December, Höegh LNG held the following financial instruments carried at fair value on the statement of financial position:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 2:

Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Assets measured at fair value	Total	Level 1	Level 2	Level 3
December 31, 2011	90 098	-	90 098	-
Total	**90 098**	**-**	**90 098**	**-**

The Group did not have assets recognized at fair value at 31 December 2010.

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
December 31, 2011	131 649	-	131 649	-
Total	**131 649**	**-**	**131 649**	**-**

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
December 31, 2010	82 938	-	82 938	-
Total	**82 938**	**-**	**82 938**	**-**

The Group only have financial instruments measured at fair value within level 2. During the reporting periods of 2010 and 2011, there were no transfers between any of the levels. Refer to Notes 17 and 35 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 27 // Cash and cash equivalents

Currency	Currency code	Exchange rate	31.12.11	Exchange rate	31.12.10
US Dollars	USD	1	29 778	1	27 222
Norwegian kroner	NOK	5,99	6 123	5,86	1 084
Pound Sterling	GBP	1,55	55	1,55	118
Euro	EUR	1,29	565	1,33	229
Singapore dollar	SGD	0,77	93		127
Total			**36 614**		**28 780**

Cash on escrow accounts held as collateral in relating tenders provided by the Group, amounts to USD 3.3 million at 31 December 2011. (31 December 2010: NIL). Cash on escrow accounts relating employees' taxation totals USD 0.8 million as of 31 December 2011 and 2010. Current cash held in joint ventures totals USD 11.0 million as at 31 December 2011 (31 December 2010: USD 15.2 million).

Note 28 // Non-current and restricted cash

A requirement under the SRV financing is that an amount equal to six months debt service must be deposited on an escrow account. The Group's share of this non-current and restricted cash is illustrated in the table below.

Restricted bank deposits	Ownership share	2011	2010
SRV Joint Gas Ltd	50 %	6 132	6 132
SRV Joint Gas Two Ltd	50 %	6 420	4 084
Total		**12 552**	**10 216**

Note 29 // Share capital

Höegh LNG has one class of shares. The Board has not proposed any dividend to be paid for the year 2011.

Number of shares	Par value	2011	2010
Ordinary shares	USD 0,01	75 000 000	40 000 000
Total number of shares issued and fully paid	**USD 0,01**	**47 009 170**	**27 057 659**

Share capital	Number of shares	Par value	Total
Shares and share capital at 1 January 2010	27 057 659	0,01	270,58
Deletion of treasury shares 10 May 2011	(55 270)	0,01	(0,55)
Share issue 17 June 2011	1 211 738	0,01	12,12
Share issuance 30 June 2011	17 087 684	0,01	170,88
Issue of shares 9 August 2011 (over-allotment)	1 707 359	0,01	17,07
Shares and share capital at 31.December 2011	**47 009 170**		**470**

Treasury shares	Number of shares	Par value	Total
Höegh LNG Holdings Ltd ownership	1 211 738	0,01	12
Treasury shares and capital at 31 December 2011	**1 211 738**		**12**

Total outstanding shares at 31 December 2011	**45 797 432**

Gross proceeds from the shares issue on 30 June and 9 August 2011 amounted to USD 120 million and USD 11.8 million, respectively. According to IAS32, Höegh LNG has recorded the costs following the initial public offering between the newly issued shares and the existing shares on a rational basis.

Transaction costs totalled USD 6.5 million whereof USD 1.1 is expensed as administration costs, and USD 5.4 million recognized as a reduction in share premium. The transaction costs recorded against deduction in share premium is net of any related income tax benefit.

On 17 June 2011 Höegh LNG Holdings Ltd entered into a shares swap agreement with Methane Ventures Limited (MVEL) whereof MVEL's ownership in Höegh LNG Limited were swapped against ownership in Höegh LNG Holdings Ltd.

Key Management owns 45.6% of Methane Ventures Limited which owns 2.6% 1 211 738 of the shares in Höegh LNG Holdings Limited.

See Note 36 for disclosure of transactions with related parties.

86.6 % of the Company's shareholders have more than 1% ownership:

Shareholders' registry at 4 January 2012	Ownership (#)	Ownership (%)
Leif Hoegh and Co Ltd	30 907 210	65.75 %
CIP AS TR.Ignis Arg.Eur.Alpha Fund	2 122 180	4.51 %
JP Morgan Clearing Corp.	1 423 970	3.03 %
Methane Ventures Ltd	1 211 738	2.58 %
UBS AG, London Branch	875 535	1.86 %
Varma Mutual Pension Insurance	773 438	1.65 %
HSBC Bank PLC	745 739	1.59 %
Blackrock Global Small Cap Fund	592 500	1.26 %
DNB Markets, aksjehandel/analyse	548 597	1.17 %
Skandia Global Dynamic Eq Fund	521 387	1.11 %
JPMorgan Chase Bank	492 322	1.05 %
JPMorgan Bank Luxembourg	483 580	1.03 %
	40 698 196	**86.58 %**

Note 30 // Total interest bearing debt

	2011	2010
Non-current		
Mortgage debt	286 875	295 388
Arrangement fee mortgage debt	(1 200)	(1 350)
Debt related to lease liabilities	140 594	144 842
Total non-current	**426 269**	**438 880**
Current		
Mortgage debt	8 625	8 164
Debt related to lease liabilities	4 247	3 967
Total current	**12 872**	**12 131**
Total	**439 141**	**451 011**

Mortgage debt

On 20 December 2007, two joint ventures in which the Group has 50% ownership entered into one facility of USD 300 million each. As of 31 December 2011, the Group's share of total drawing under these facilities was USD 288.6 million. The Group's share of these vessels' book value, pledge as security, amounts to USD 306.7 million. There are no financial covenants relating to the loan facilities, which carry an interest rate equal to 3 months LIBOR plus a margin of 0.5%. Balloon instalments are scheduled and due for payment in 2022 after the 12 year tenor.

A subsidiary of the Group entered into a loan facility on 20 July in 2006. Including accrued interest the total amount outstanding under the facility is USD 6.9 million as at 31 December 2011. Compliance with all covenants under the facility is confirmed at year end 2011. The loan carries an interest equal to six months LIBOR plus a margin of 1.15% and is repayable on 20 July 2013. Methane Ventures Limited's ownership of shares held in Höegh LNG Holdings is pledged to DNB Bank as security.

Lease liabilities

Arctic Princess and Arctic Lady are financed under 25 year UK leases, and Höegh LNG's obligations related to the leases have been included as debt in the balance sheets. As per 31 December, the total debt for the Group related to these lease facilities amounts to USD 144.8 million. The Group's share of Arctic vessels' book values as at 31 December 2011 amounts to USD 139.5 million.

If any of the lessees at any given time should elect to voluntarily terminate the UK lease financing early, the applicable termination amount that would become due and payable to the lessor may exceed the amount recognized as long-term debt in the Group's financial position. As per 31 December 2011, Höegh LNG's consolidated share of the applicable termination sums under the two UK leases was USD 148.4 million (31 December 2010: USD 152.7 million).

Facility of USD 288 million

In June 2011, Höegh LNG entered into a USD 288 million debt facility agreement providing 50 % funding for the two regasification vessels on order at Hyundai Heavy Industries Co. Limited for up to three years after delivery. No drawdown has been made under this facility as to date. The first repayment Instalment shall become due on the date falling three months after the delivery date of the vessel to which that facility relates. Prior to each delivery date, Höegh LNG shall deposit the sum of USD 8 million in the relevant retention account and shall ensure that all times thereafter whilst loans remain outstanding, USD 8 million is held as cash on that retention account. The loan will carry an interest equal to three months LIBOR plus a margin 3 %. From 1 June 2011 Höegh LNG is committed to pay an annual fee of 1.2% of the total facility. Reference is made to Note 37 for disclosures of commitments, guarantees and contingent liabilities.

Financial covenants to the USD 288 million facility

Consolidated financial position shall at all times be such that book equity (excluding any hedging reserve) exceeds the higher of (i) USD 200 million and (ii) 25 % of total assets, free liquid assets are not less than the aggregate of USD 10 million for each vessel not yet delivered, and that current assets exceed current Liabilities.

Maturity of debt

The table below sets out the maturity of existing mortgage debt and lease liabilities (excluding of interest):

Maturity of mortgage debt Repayment schedule mortgage debt:	2011	2010
Less than one year	8 625	8 164
Betw een one and five years	47 237	44 703
More than five years	239 638	250 685
Total	**295 499**	**303 552**

Maturity of lease liabilities Repayment schedule lease liabilities:	2011	2010
Less than one year	4 247	3 967
Betw een one and five years	19 450	18 441
More than five years	121 144	126 400
Total	**144 842**	**148 808**

Reference is made to Note 26 where a summary of the maturity profile for all financial liabilities is presented.

Note 31 // Pension

The Group has a defined benefit plan for all employees in Norway. The pension scheme is managed by Höegh Pensjonskasse. For these employees, the fund provides a retirement pension of 66% of the final salary up to a maximum of 12 times the social security multiplier after 30 years service. The scheme also provides disability-, spouse- and child pensions. This part of the Group's pension scheme is based on calculations of future benefits paid by the Government. In addition, the Group operates an unsecured pension scheme providing 66% of the salary above 12G after 30 years service and up to a maximum of 24G. These liabilities are financed by Höegh LNG's operation. Actuarial gains and losses arising due to new information and changes are recognized according to corridor method which is amortization over the expected remaining service period. The applied death rate is based on a dynamic calculation assuming a decrease in future mortality (Lee carter model).

Höegh LNG further operates a defined contribution pension scheme involving the employees in Leif Höegh (UK) Limited. These contributions are charged to the profit and loss accounts and following amounts were expensed. There were no outstanding or prepaid contributions in Leif Höegh (UK) Limited. The Group further pays a contribution provident fund to Singaporean authorities relating employees with Singaporean citizenship.

	2011	2010
Contribution expenses UK pension plan	10	11
Contribution to Central Provident Fund in Singapore	5	-
Total	**10**	**11**

The information below corresponds to pension expenses and liabilities for members of Höegh Pensjonskasse (See Note 36 – transactions with related party):

Assumptions used to estimate future pension liabilites	2011	2010
Discount rate of interest	2,60 %	3,80 %
Return on pension plan assets	4,10 %	5,00 %
Wage grow th	3,50 %	4,10 %
Pension adjustment	0,10 %	4,10 %

Components of the net pension expenses	2011	2010
Current service cost	1 699	1 491
Interest on pension liabilities accrued this year	480	389
Expected return on plan assets	(338)	(246)
Payroll tax	260	230
Amortisation estimated profit	(25)	(49)
Net pension expenses	**2 077**	**1 815**

Net pension liabilities per 31 December	2011	2010
Pension liability	13 720	12 471
Fair value of scheme assets	(6 098)	(6 348)
Unrecognized actuarial losses	(710)	307
Payroll tax	1 075	863
Net pension liability in statement of financial position	**7 986**	**7 293**

Changes in the net pension liability are as follows	2011	2010
Net pension liability at 1 January	7 293	5 727
Adjustment ingoing balance net including payroll tax	-	558
Current service cost	1 699	1 491
Interest cost	480	389
Contributions by employer	(896)	(544)
Payroll tax	260	230
Currency (gain)/ loss	(225)	(27)
Benefits paid	(263)	(235)
Actuarial (gains) / losses on liability	(362)	(296)
Net pension liabilities in statement of financial position	**7 986**	**7 293**

Total liabilities	Non current	Current	Total
Secured liabilities	2 722	612	3 334
Unsecured liabilities	3 372	1 280	4 652
Net pension liabilities at 31 December	6 094	1 892	7 986

Changes in the fair value of plan assets are as follows	2011	2010
Fair value of plan assets at 1 January	6 348	3 827
Expected return on plan assets	338	246
Contributions by employer (excl. of payroll tax))	785	477
Benefits paid	(542)	(132)
Currency gain /(loss)	(137)	28
Actuarial gains/(losses) on plan assets	(694)	1 902
Fair value of plan assets at 31 December	**6 098**	**6 348**

Investments of the pension fund per 31.12	2011	2010
Shares	11 %	19 %
Bonds	81 %	81 %
Others	8 %	0 %

No. of persons covered by the scheme	2011	2010
Active	62	58
Retired	5	2
Total	**67**	**60**

Sensitivity analysis

This sensitivity analysis explains the impact on the pension liability and pension expenses on changing the parameters used to estimate future pension liabilities with +/- one per cent.

Impact on pension liability	-1 %	+1%
Discount rate	3 457	(2 560)
Wages growth	(1 725)	1 608
Pension adjustment	(161)	1 785

Impact on pension expenses	-1 %	+1%
Discount rate	503	(357)
Wages growth	(315)	338
Pension adjustment	(18)	196

Note 32 // Other non-current debt

	2011	2010
Deferred income	9 666	9 280
Total	**9 666**	**9 280**

Other non-current debt comprises the non-current portion of the deferred T/C income in SRV Joint Gas Ltd and SRV Joint Gas Two Ltd. These amounts are prepaid charter hire received from GDF Suez as a consequence of change orders on GDF Suez Neptune and GDF Suez Cape Ann. The payments are classified as prepaid, and amounts are therefore recognised through the duration of the charter party contracts being 20 years from 30 November 2009 and 1 June 2010 for SRV Joint Gas Ltd and SRV Joint Gas Two Ltd respectively.

Note 33 // Trade and other payables

	2011	2010
Suppliers	2 882	4 955
Public duties payable and holiday pay	3 764	3 379
Total	**6 646**	**8 334**

Outstanding trade and other payables as at 31 December 2011 fall due between 30-180 days.

Note 34 // Provisions

	2011	2010
Provision of bonus including of payroll tax	3 512	2 053
Prepaid charterhire	2 053	545
Other provision	3 775	5 567
Total	**9 340**	**8 165**

Outstanding provisions as at 31 December 2011 fall due between 30-60 days.

Note 35 // Other current financial liabilities

	2011	2010
Interest rate sw aps designated as effective hedging instruments *	18 043	22 774
Accrued interest on lease liabilities	1 672	1 762
Accrued interest on mortgage debt	2 772	2 951
Other current financial liabilities	1 997	3 240
Total	**24 484**	**30 727**

*The interest rate swap agreements are designated as effective hedging instruments. The current portion of the interest rate swap agreements' mark-to-market as at 31 December is presented above. For further information on interest rate swaps, see Note 26.

Note 36 // Related party disclosures

Transactions with joint ventures

Höegh LNG provides various management services to the Group's joint ventures. The subsidiary Höegh LNG AS executes the commercial and administrative management services whereas the subsidiary Höegh LNG Fleet Management AS provides technical and crewing management services.

The following table provides the total amounts of aggregate transactions of management services that have been entered into from Höegh LNG to the joint ventures for 2011 an 2010.

Joint venture in which the Group is a venturer	2011	2010
Joint Gas Ltd	41	40
Joint Gas Two Ltd	31	30
SRV Joint Gas Ltd	848	757
SRV Joint Gas Two Ltd	713	584
Methane Carriers Ltd	489	392
PNG Floating LNG Limited	83	-
Total	**2 204**	**1 802**

The Group recognizes its interest in joint ventures by proportional shares and amounts listed above are thus external owners' shares of the Group's related party transactions of management services provided to the joint ventures. For recognition of management revenues see Note 4. Höegh LNG has a total receivable against external owners of joint ventures amounting to USD 0.4 million as at 31 December 2011 (See Note 24).

Transactions with other related parties

Höegh Autoliners Management AS

The Group has entered into an agreement with Höegh Autoliners Management AS relating the Group's purchase of administrative services provided by Höegh Autoliners Management AS.

The following table provides the aggregated amounts of administrative services for 2011 and 2010:

Administrative services from	2011	2010
Höegh Autoliners Management AS	3 157	4 198
Höegh Fleet Services AS	-	303
Total	**3 157**	**4 501**

Höegh Capital Partners ASA

Höegh LNG has entered into an agreement with the related party Höegh Capital Partners ASA (HCP ASA), a company owned by the Høegh family, for the management of excess liquidity in the form of marketable securities. The portfolio's market value was USD 90.1 million as at 31 December 2011. These financial instruments, within the scope of IAS39, are classified at fair value with recognition of changes in value through profit or loss. Management fee for 2011 amounted to USD 0.1 million.

Höegh Capital Partners Limited

Höegh Capital Partners Limited, a company controlled by the Høegh family, provided advisory services for an annual remuneration of USD 0.1 million.

Aequitas Investments Limited

On 1 December 2010 the Group sold its shares held in HCP Cap Fund Limited along with 300 000 shares held in treasury, through issuance of a promissory note to Aequitas Investments Limited, a company controlled by the Høegh family. The consideration amounted to USD 50.9 million. Reference is made to Note 18, interest bearing receivables.

Loans to related party	Period commenced	Period ended	Interest for the period	Amount owed by related party at end of period
Aequitas Investments Limited	01.01.2011	31.12.2011	530	-
	01.01.2010	31.12.2010	121	51 068

Höegh Pensjonskasse

Höegh LNG is one of five investors in Höegh Pensjonskasse, a joint pension fund. Höegh LNG contributed USD 0.8 million in 2011 (USD 0.5 million in 2010) and its portion of the fair value of the scheme's assets was USD 6.1 million at 31 December 2011 (USD 6.3 million at 31 December 2010). See Note 31 for disclosure of the Group's pension. The Group's contribution of administration costs paid to Höegh Pensjonskasse amounted to USD 0.1 million in 2011 (USD 0.05 million in 2010).

Key Management personnel

Key management personnel's remuneration during 2011 and 2010 is presented below:

Remuneration to the key management	2011	2010
Wages	2 106	1 151
Other taxable benefits	120	84
Pensions	220	204
Total	**2 446**	**1 439**

Höegh LNG has provided a loan to the President/CEO. The outstanding as at 31 December 2011 and 2010 were USD 71 611 and USD 99 386, respectively. The loan is unsecured and carries interest equal to 12 months NIBOR plus a margin of 1%.

Methane Ventures Limited, a British Virgin Islands limited liability company, is a co-investment company owned jointly by the management of the Company and the Company. The Company owned 54.4 % of the shares in Methane Ventures Limited at 31 December 2011, and the remaining 45.6 % of the shares were owned by the Company's management. Methane Ventures Limited owned 1,211,738 shares in the Company as at 31 December 2011. The Management's co-investment in Methane Venture Limited expires on 30 June 2012. The co-investment period may be prolonged under its terms. Upon termination of the co-investment scheme, the investors in Methane Venture Limited may receive either cash or shares in the Company or a combination of cash and shares in the Company. Methane Ventures Limited's Shares in the Company is pledged to DNB Bank ASA as security.

Management and general bonus scheme

The Management bonus scheme is subject to both individual performance and the development of the Company's share price. Full bonus potential will vary between four and twelve months salary for individual members of the management. 20 % of the potential bonus is subject to individual performance only, provided individual performance is 70 % or more. Actual bonus will be pro-rated to the performance. 80 % of the potential bonus is subject to a Share Price increase of at least 10 % and individual performance. 40 % of the 80 % is subject to individual performance only, provided the Share Price trigger point is reached. Actual bonus will be pro-rated to the performance. 60 % of the 80 % is subject to the Share Price development only, provided the Share Price trigger point is reached. Actual bonus will depend on Share Price development between 10-30 %, whereby a linear model is used to calculate the actual bonus between the lower and upper limit.

The General bonus scheme incorporates all the Group's employees, except the participants in the management bonus scheme. Full bonus potential is of one month salary and is triggered by the achievement of at least 15 % increase in share price, and paid based on individual performance, provided the individual performance is 70 % or more.

Non-controlling interest (NCI)

Non-controlling interest (NCI) part of equity following the shares swap is considered immaterial hence the Group records de-recognition of NCI. NCI and hedging reserves are therefore increased by USD 0.6 million and reduced by USD 1.9 million, respectively. NCI ownership through this co-investment is about 1.1%.

Leif Höegh & Co Ltd (Cyprus)

Leif Höegh & Co Ltd. purchased 4 983 900 of the shares in Höegh LNG issued on 30 June 2011. Leif Höegh & Co Ltd. holds 30 907 210 shares in Höegh LNG, corresponding to 65.7 % of the shares at year end. In February 2012 the total number of shares in Höegh LNG increased in a private placement and Leif Höegh & Co Ltd.'s ownership was reduced to 44.4 % (See Note 39 events after balance sheet date).

The Company has entered into a licence agreement with Leif Höegh & Co Ltd. pursuant to which Leif Höegh & Co Ltd. will grant to Höegh LNG a royalty free licence to use the name and trademark "Höegh LNG" and the Höegh funnel mark (flag). The licence agreement will be effective as long as Leif Höegh & Co Ltd. (or any other entity beneficially owned/controlled by the Høegh family) remains a shareholder in the Company holding at least one third (33.33%) or more of the issued shares in the Company. In the event such shareholding falls below one third then Leif Höegh & Co Ltd. may require that the Company shall cease to use the name and trademark "Höegh LNG" and the Höegh funnel mark (flag).

Höegh Autoliners (UK) Limited

The Group also receives pool distribution from two car carriers, which are recognised as charter income. Both vessels are operated for the account of Höegh Autoliners (UK) Limited through a risk benefit agreement and the Group receives a margin of 3% of the net profits.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at estimated fair value.

Note 37 // Commitments, guarantees and contingent liabilities

Snøhvit vessels

The two Snøhvit vessels Arctic Princess and Arctic Lady are bareboat chartered by joint venture companies in which the Group has a 33.98% and 50% ownership, respectively (see Note 38), and are sub-chartered to Leif Höegh (UK) Ltd, a wholly-owned subsidiary of Höegh LNG. As of year-end 2011 Leif Höegh (UK) Ltd has remaining charter commitments for the two vessels of USD 289 million, specified in the table below.

Specification of bareboat hire to be paid (in million USD)	2011	2010
Within one year	21	20
Between one and five years	82	82
More than five years	186	208
Total	**289**	**310**

The Snøhvit vessels are owned by UK lessors and leased to the joint venture companies under fully funded 25-year, full pay-out UK finance leases. Future minimum lease payments under these finance lease contracts together with the present value of the net minimum lease payments are as follows;

	2011		2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
< 1 year	(12 015)	(11 796)	(12 210)	(11 988)
Between 1-5 years	(47 283)	(41 117)	(47 539)	(41 346)
> 5 years	(172 024)	(96 501)	(183 782)	(100 666)
Total minimum lease payments	(231 322)	(149 414)	(243 532)	(154 000)
Less finance charges	81 908		89 533	
PV of minimum lease payments	**(149 414)**	**(149 414)**	**(154 000)**	**(154 000)**

The payments are discounted by an annual interest of 5.05%.

Pursuant to the lease agreements, the joint venture companies, as lessees, bear the normal risks in relation to the leasing structure itself, including the lessors' claims for capital allowances, changes in applicable capital allowance rate and corporate tax rate in the UK. Upon request from HM Revenues & Customs, additional information has been provided in relation to the UK lessor's claims for capital allowances. In addition, the lease obligations are secured by assignment of earnings and insurances.

Höegh LNG Ltd (and counter-guaranteed by Höegh LNG Holdings Ltd) has guaranteed pro-rata according to its shareholding severally with its joint venture partners for payment obligations under the lease transaction agreements. Further, Höegh LNG Ltd (and counter-guaranteed by Höegh LNG Holdings Ltd) has guaranteed pro-rata according to its shareholding for performance of the time charters and the interest rate swap agreements (ISDA) entered into with Citibank N.A on 24 June 2002 (Joint Gas Limited) and 23 October 2002 (Joint Gas Two Limited). In addition, for Joint Gas Two Ltd., the shareholders have entered into share security deed in respect of assignment and charge in favour of the lessor all their respective rights and interest in and to the shares and the derivative assets in the company. Höegh LNG Ltd has also granted a performance undertaking in favour of the lessor of the performance of Leif Höegh (UK) Ltd. under the lease documents.

Neptune vessels

Höegh LNG Holdings Ltd has guaranteed for its 50% guarantee obligation regarding funding of dry docking costs and remarketing efforts in case of an early termination of the time charters under the loan agreements for the financing of the SRVs in SRV Joint Gas Ltd and SRV Joint Gas Two Ltd. (the "SRV JG companies"). Höegh LNG Ltd. has granted the financiers negative pledge of the company's shares (current and future) in the SRV JG companies.

The SRV JG companies have assigned the time charters earnings and rights, the vessel's insurances and the swap payments pursuant to swap agreement entered into by the companies to the financiers. The SRV JG companies' bank accounts, being vessel operating account, debt service retention account, dividend lock-up account and dividend distribution account are pledged in favour of the financiers.

Höegh LNG Ltd. has further issued a performance and payment guarantee for the SRV JG companies' obligations under the respective time charters, pro-rata for each shareholder (i.e. 50%).

STX Frontier

HöeghStream LNG Ltd. ("HöeghStream") as charterer has entered into a hire agreement for STX Frontier with the owner STX Pan Ocean LNG Pte Ltd. HöeghStream further provides management to the owner according to a management agreement. Höegh LNG Limited guarantees HöeghStream's performance under these agreements.

HöeghStream has further entered into as time charter owner a time charter with Repsol Comercializadora De Gas S.A. ("Repsol") as charterer. Höegh LNG Limited has issued a performance guarantee in the favour of Repsol for HöeghStream's obligations under the time charter, which has been counter-guaranteed by STX Pan Ocean Co. Ltd. Repsol YPF S.A. guarantees Repsol's performance under the time charter.

HHI FSRU newbuildings

The delivered cost for each of the first two FSRU newbuildings (Hull 2548 and Hull 2549) is USD 320-330 million. Inserted below is an overview the instalments under the shipbuilding contracts for Hull 2548 and Hull 2549, respectively.

Instalment	%	Scheduled Due Date Hull 2548 (FSRU#1)	Scheduled Due Date Hull 2549 (FSRU#2)	Status
#1 Contract signing	5	June 2011	June 2011	Paid in 2011
#2 1 month following contract signing	5	July 2011	July 2011	Paid in 2011
#3 7 months following contract signing	10	January 2012	January 2012	Paid in 2012
#4 14 months following contract signing	10	August 2012	August 2012	To be paid
#5 Keel laying	10	November 2012	January 2013	To be paid
#6 Delivery	60	At delivery 2013	At delivery 2014	To be paid

The delivered cost of the third FSRU newbuilding (Hull 2550) is USD 280-330 million. An overview of the payment instalments for the third FSRU newbuilding are set out in the below table.

Instalment	%	Scheduled Due Date Hull 2550 (FSRU#3)	Status
#1 Contract signing	10	February 2012	Paid in 2012
#2 Steel cutting	10	January 2013	To be paid
#3 Keel laying	10	May 2013	To be paid
#4 On 7 January 2014	10	January 2014	To be paid
#5 Delivery	60	At delivery 2014	To be paid

For part financing of two of the FSRU newbuildings at Hyundai Heavy Industries Co., Höegh LNG Ltd. has entered into a USD 288 million facility. Höegh LNG Holdings Ltd. guarantees the borrowers obligations under the loan agreement up to an amount of USD 345,600,000. No drawdown has been made under this facility as to date.

In addition, Höegh LNG Ltd. has granted the following securities (when and if applicable): account security deed, deed of covenant, general assignment, manager's undertaking, management agreement assignment, mortgage, pre-delivery security assignment, supply contract assignment, supervision agreement assignment, swap contract assignment, time charter assignment, trust agreement.

Port Dolphin

The Company has guaranteed to the US Maritime Administration for 100% of the cost of the construction and operation and decommissioning of the Port Dolphin deep water port. The latter guarantee is limited to USD 48,003,862 (to be adjusted annually).

LNG Libra

Höegh LNG Ltd. has entered into an agreement to acquire the "LNG Libra" and the vessel will be delivered third quarter 2012. The purchase price is USD 53 million, of which 10% has been paid as of year-end 2011, 10% was paid in January 2012 and the remaining amount is payable upon delivery of the vessel. The transaction will be financed with available cash and new debt.

Indonesian FSRU Project

Standard Chartered Bank (SCB) has issued a Letter of Credit in the amount of USD 10,560,000 in favour of PT Perusahaan Gas Negara (Persero) Tbk Höegh LNG Ltd. in support of Höegh LNG Ltd.'s obligations under the lease, operation and maintenance agreement. The expiry date of the letter of credit is 2 December 2014. The amount has been deposited with SCB.

Note 38 // Events after balance sheet date

The Group signed on 10 January 2012 a six month time charter agreement for the LNG carrier "LNG Libra" providing shipping services to the North West Shelf project in Australia. The time charter starts upon delivery of the vessel from its previous owner in June or July 2012. The EBITDA contribution from the charter is about USD 12 million.

The Company signed on 25 January 2012 a firm and final agreement with PT Perusahaan Gas Negara ("PGN") to provide PGN with an FSRU and mooring system in Indonesia. PGN is the largest natural gas transportation and distribution company in Indonesia, majority owned by the state and stock listed. The project will employ the first of Höegh LNG's FSRUs under construction at Hyundai. The agreement is a firm 20 year charter party with two five year options to extend for a total period of 30 years.

Höegh LNG raised approximately USD 200 million in net share issue proceeds in a private placement on 2 February 2012. A total of 22 641 509 new shares were issued on 8 February 2012 increasing the total number of shares in issue from 47 009 170 at year-end 2011 to 69 650 679. On 8 March 2012 the Company published the prospectus regarding (i) the listing of 22,641,509 new shares issued in connection with the Private Placement, and (ii) a Subsequent Offering up to 636,552 new shares towards existing shareholders holding 40 000 shares or less as of 2 February, who were not offered to participate in the Private Placement, whereby such shareholders had the right to subscribe fro and be allocated 0.5 new share for each share held at the said date. A total 226,536 shares were issued in the Subsequent offering, bringing the total number of shares in issue up to 69,877,215.

On 2 February 2012, the Group announced a stock option plan for its senior management. The strike price of the 735 000 options is NOK 53 per share. The options will vest with one third on 31 December 2013, 2014 and 2015, respectively, and expire in 2017.

On 3 February 2012, the Group exercised an option for an additional FSRU to be delivered in the second quarter 2014 from Hyundai in Korea. The shipbuilding contract for this vessel was signed on 13 February 2012.

On 2 March 2012 Höegh LNG signed a ten year time charter for a floating LNG storage and regasification unit to be used as an LNG import terminal in Lithuania. The agreement was approved by the shareholders of AB Klaipedos Nafta on 26 March 2012. The Lithuanian state owns 70.63% of Klaipedos Nafta's shares. The project will employ the second FSRU under construction at Hyundai.

Note 39 // List of subsidiaries, joint ventures and associates

Company	Registered office	Country	Principal activity	Ownership in % 2011	2010
Subsidiaries:					
Höegh LNG Limited	Hamilton	Bermuda	Holding	100	97
Höegh LNG AS	Oslo	Norway	Management	100	100
Höegh LNG Fleet Management AS	Oslo	Norway	Ship management	100	100
Leif Höegh (U.K.) Ltd.	London	England	Management	100	100
Höegh LNG Asia Pte Ltd	Singapore	Singapore	Business dev.	100	-
Höegh Fleet Services Rijeka d.o.o	Rijeka	Croatia	Crewing Agency	100	100
Port Dolphin Energy LLC	Delaware	USA	Business dev.	100	100
Port Dolphin Holdings Co LLC	Delaware	USA	Holding	100	100
Port Meridian Energy Ltd	London	England	Business dev.	100	100
Compressed Energy Technology AS	Oslo	Norway	Business dev.	100	100
HöeghStream LNG Ltd	Georgetown	Cayman Isl.	Management	100	100
Methane Ventures Ltd	Road Town	Br. Virgin Isl.	Management	54.3	56.7
Joint Ventures:					
Joint Gas Ltd	Georgetown	Cayman Isl.	Shipowning	34	34
Joint Gas Two Ltd	Georgetown	Cayman Isl.	Shipowning	50	50
Methane Carriers Ltd	Nassau	Bahamas	Shipowning	50	50
SRV Joint Gas Ltd	Georgetown	Cayman Isl.	Shipowning	50	50
SRV Joint Gas Two Ltd	Georgetown	Cayman Isl.	Shipowning	50	50
PNG Floating LNG Holdings Limited	Singapore	Singapore	Holding	33	0
PNG Floating LNG Limited	Singapore	Singapore	Business dev.	33	0

Investments in joint ventures

The Group has investments in the following joint ventures in which there is an operational activity:

The Group holds 33.98% in Joint Gas Ltd, which is the bareboat charterer of Arctic Princess. The vessel is financed by a UK lease with Quadrangle Leasing Ltd and B/B chartered to Leif Höegh (UK) Ltd.

The Group holds 50% in Joint Gas Two Ltd, which is the bareboat charterer of Arctic Lady. The vessel is financed by a UK lease with Barents Leasing Ltd and B/B chartered to Leif Höegh (UK) Ltd for a period of 25 years.

The Group holds 50% in Methane Carriers Ltd which is the owner and operator of Norman Lady. The vessel is on a long-term time charter with Gas Natural Trading SGD, S.A. for a period of 13 years starting in September 1999 and ending in 2012. The charter period may be extended by seven years, up to a total of 20 years if the operational/technical status of the vessel is satisfactory.

The Group holds 50% holding SRV Joint Gas Ltd which is the owner and operator of GDF Suez Neptune. The vessel was delivered 30 November 2009 under a long term time charter to an affiliate within GDF Suez Company for a period of 20 years from delivery (until 30 November 2029) with optional periods of 5 + 5 years.

The Group holds 50% in SRV Joint Gas Two Ltd which is the owner and operator of GDF Suez Cape Ann. The vessel was delivered on 1 June 2010 under a long term time charter to an affiliate within GDF Suez Company for a period of 20 years from delivery (until 1 June 2030) with optional periods of 5 + 5 years.

The Group holds 33% of total shares in PNG Floating LNG Holdings Ltd. The holding company owns 100% PNG Floating LNG limited.

Please see Note 3 for the respective shares of assets, liabilities, income and expenses in the jointly controlled entities.

FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of comprehensive income
1 January - 31 December

USD'000	Notes	2011	2010
Administrative expenses	3	(2 693)	(910)
Operating result		**(2 693)**	**(910)**
Interest income	4	9 619	5 245
Interest expenses		(5)	(0)
Income from other financial items	6	448	555
Expenses from other financial items		(1)	(1)
Profit for the year before tax		7 368	4 888
Tax		-	-
Profit for the year after tax		7 368	5 442
Other comprehensive income		-	-
Total comprehensive income (loss) of the year		**7 368**	**4 888**

Statement of financial position as of 31 December

USD'000	Notes	2011	2010
Assets			
Non-current assets			
Shares in group companies	7	106 122	93 551
Intercompany receivables	8	156 934	71 470
Other receivables		107	483
Total non-current assets		**263 163**	**165 504**
Current assets			
Interest bearing receivable	9	-	51 076
Trade receivable		-	100
Marketable securities	5	90 098	-
Cash	10	12 899	2 849
Total current assets		**102 997**	**54 025**
TOTAL ASSETS		**366 160**	**219 529**
Equity and liabilities			
Equity			
Share capital	11	470	271
Share premium reserve		142 488	3 561
Treasury shares	11	-	(1)
Retained earnings		223 011	215 643
Total equity		**365 969**	**219 474**
Current liabilities			
Intercompany payables	12	191	41
Other payables		-	14
Total current liabilities		**191**	**55**
TOTAL EQUITY AND LIABILITIES		**366 160**	**219 529**

HAMILTON/STOCKHOLM, 28 MARCH 2012

THE BOARD OF DIRECTORS AND THE PRESIDENT OF HÖEGH LNG HOLDINGS LTD.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Cameron E. Adderley

Timothy J. Counsell

Andrew Jamieson

Guy D. Lafferty

Jon Erik Reinhardsen

Ditlev Wedell-Wedellsborg

Sveinung J.S. Støhle
President

Statement of changes in equity
for the year ended 31 December

USD'1000	Notes	Share capital (Note 11)	Treasury shares (Note 11)	Share premium reserve	Retained earnings	Total equity
At 31 December 2009		**271**	**(4)**	**366**	**210 755**	**211 387**
Sale of treasury shares		-	3	3 195	-	3 198
Comprehensive income 2010		-	-	-	4 888	4 888
At 31 December 2010		**271**	**(1)**	**3 561**	**215 643**	**219 474**
Cancellation of Treasury Shares (3 May 2011)		(1)	1	-	-	-
Issue of Shares to MVL in swap (17 June 2011)	14	12	-	12 687	-	12 699
Issue of Shares in IPO 30 June 2011	11	170	-	119 819	-	119 990
Issue of Shares for Greenshoe 9 August 2011	11	17	-	11 805	-	11 822
Transaction costs IPO	11	-	-	(5 385)	-	(5 385)
Comprehensive income 2011		-	-	-	7 368	7 368
At 31 December 2011		**470**	**-**	**142 488**	**223 011**	**365 969**

Statement of cash flows
1 January - 31 December

USD'000	Notes	2011	2010
Operating activities:			
Profit of the year		7 368	4 888
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments (un-realized loss) on marketable securities	5	1 027	-
Realized (gains) on from marketable securities	5	(1 125)	(553)
Interest income	4	(9 619)	(5 245)
Interest expenses		5	-
Working capital adjustments			
Changes in accounts receivable and payable		1 961	(370)
Net cash flow from operating activites		**(382)**	**(1 280)**
Investing activites:			
Proceeds from settlement of interest bearing receivables		51 295	-
Interest received on interest bearing receivables		651	-
Proceeds from sale of marketable securities	5	-	19 000
Purchase of marketable securities	5	(90 000)	-
Interest received		44	1
Acquisition of shares in group companies	7	(47)	(175)
Sale of shares in group companies	7	239	-
Net cash flow used in investing activities		**(37 818)**	**18 826**
Financing activites:			
Issue of share capital	11	131 813	-
Transaction cost of issue of shares	11	(5 385)	-
Payment of intercompany borrowings		(78 178)	(15 000)
Net cash flow used in financing activities		**48 250**	**(15 000)**
Net increase/(decrease) in cash and cash equivalents		**10 050**	**2 546**
Cash and cash equivalents at 1 January		2 849	303
Cash and cash equivalents at 31 December	10	12 899	2 849

Note 1 // Corporate information

Please refer to information provided in Note 1 of the consolidated financial statements.

Note 2 // Summary of significant accounting policies

A) Basis for preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements are the separate financial statements of the parent company in the Höegh LNG Holdings Ltd group.

The financial statements have been prepared on a historical cost basis, except for financial instruments within the marketable securities portfolio classified as held for trading investments.

B) Functional and presentation currency

The Company presents its financial statements in USD which is also the functional currency of the Company. Transactions in other currencies than USD are included in the accounts at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to USD at the rates applicable at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are converted using the exchange rate at the date of the initial transaction.

C) Shares in subsidiaries

Shares in subsidiaries are recognized in accordance with the cost method. The investments are reviewed for impairment whenever there are indicators that carrying amount of the investment may not be recoverable. Dividend, group contributions and other distributions from subsidiaries are recognized when the Company's right to receive payment is established.

D) Use of estimates when preparing the financial statements

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements which affect the application of the accounting principles and the reported amounts of assets and liabilities, revenues and expenses. Estimates are based upon management's best knowledge of information available at the date the financial statements are authorised for issue. In many circumstances, the ultimate outcome related to estimates and assumptions may not be known for several years after the preparation of the financial statements.

E) Cash and cash equivalents

Cash and short-term deposits in the balance sheets comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

F) Trade and other receivables

Accounts receivable and other receivables are recognised at fair value and subsequently measured at amortized cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the estimated recoverable amount is recognised as a loss.

G) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented net of any reimbursement.

H) Income tax

As the Company is incorporated in Bermuda, the Company currently pays no income tax.

I) Marketable securities

The various financial investments within the marketable securities portfolio are classified as held for trading investment, hence measured at fair value through profit or loss. The marketable securities portfolio is classified as current assets. Fair value changes (unrealized) and realized gains and losses are presented as financial income and financial expense.

J) Equity

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Transaction costs related to an equity transaction are recognized directly in equity.

K) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statement, but if material, it is disclosed in the accompanying notes. A contingent asset is not recognized in the financial statements, but informed about if there is a certain degree of probability that it will be an advantage to the Company.

L) Events after the balance sheet date

New information on the Company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will affect the Company's position in the future, are stated if significant.

For new and amended IFRS, reference is made to paragraph U in the consolidated accounts.

Note 3 // Administrative expenses

	2011	2010
Remuneration to Board members	120	150
Travelling cost	106	45
Audit fees	342	81
Legal fees	1 607	259
Consultants	81	316
Insurance premiums	46	47
Company management fees	148	-
Miscellaneous	243	13
Total	**2 692**	**910**

HLNG has provided a loan to President/CEO (employed in the related party Höegh LNG AS). The outstanding amount at 31 December 2011 was USD 71 611 (2010: USD 99 386). The loan is unsecured and carries interest equal to 12 months NIBOR plus a margin of 1%.

Note 4 // Interest income

	2011	2010
Interest on intercompany loan to Höegh LNG Limited	8 826	4 944
Interest on loan to Methane Ventures Limited	180	166
Interest on loan to Aequitas Investments Limited	530	121
Other interest income	83	14
Total	**9 619**	**5 245**

For outstanding interest bearing receivables see Note 9 and Note 10. Reference is made to Note 14 for transactions with related parties.

Note 5 // Marketable securities

Refer to Note 25 in the consolidated accounts.

Note 6 // Income from other financial items

	2011	2010
Gain on marketable securities (See Note 5)	98	553
Gain on sale of shares in group companies (See Note 7)	64	-
Currency gain	286	2
Total	**448**	**555**

Note 7 // Shares in Group companies

	2011	2010
Cost at 01.01	93 551	93 376
Acquisition of shares in Methane Ventures Limited	47	175
Distribution of shares in Methane Ventures Limited	(239)	-
Gain on distribution of shares in Methane Ventures Limited (See Note 6)	64	-
Share sw ap w ith Methane Venures of ow nership in Höegh LNG Limited *	12 699	-
Cost at 31 December	**106 122**	**93 551**

*Refer to Note 14 for description of the additional 7.5% investment in Höegh LNG Limited amounting to USD 12.7 million.

Carrying amount per group company at 31 December	2011	2010
Höegh LNG Limited	105 292	92 593
Methane Ventures Limited	830	958
At 31 December	**106 122**	**93 551**

Group company	Registered office	Ow nership share*	Book equity 31 Dec. 2011	Book equity 31 Dec. 2011	Carrying amount
Höegh LNG Limited	Bermuda	100,00 %	73 587	73 587	105 292
Methane Ventures Limited	BVI	54,37 %	3 569	1 940	830

Underlying values in companies owned by Höegh LNG Limited support the carrying value of the investments. No impairment charge is recognized on investments in group companies.

Note 8 // Non-current interest bearing receivables

	2011	2010
Intercompany receivables Höegh LNG Limited	154 599	69 316
Intercompany receivables Methane Ventures Limited	2 335	2 155
Value at 31 December	**156 934**	**71 470**

Intercompany loan agreement with Höegh LNG Limited was entered into in January 2009 (increased facility amount in January 2010 and September 2011) to a facility totalling USD 200 million in aggregate at an interest rate of 8 % p.a. Repayment shall be done in one or several amounts as agreed between the Company and Höegh LNG Limited. Based on intention of the loan agreement, the receivable is presented as a non-current interest bearing receivable. No impairment charge is recognized on loans to group companies.

See Note 4 for recognition of interest income and Note 14 for transactions with related parties.

Note 9 // Current interest bearing receivables

	2011	2010
Promissory Note	-	51 068
Other receivables	-	8
Value at 31 December	**-**	**51 076**

The promissory note issued to Aequitas Investments Limited in 2011 was settled in full including of interest during April and May 2011. Refer to Note 14 for transactions with related parties.

Note 10 // Cash and cash equivalent

Currency	Exchange rate	2011	Exchange rate	2010
US Dollars (USD)	1	8 015	1	2 787
Norw egian Kroner, NOK	5,9927	4 884	5,86	61
Total		**12 899**		**2 848**

Note 11 // Share capital

The Company has one class of shares. The Board has not proposed any dividend to be paid for the year 2011.

Number of shares	Par value	2011	2010
Total number of share authorized	USD 0,01	75 000 000	40 000 000
Total number of share issued and fully paid	**USD 0,01**	**47 009 170**	**27 057 659**

Share capital	Number of shares	Par value
Established November 2006	25 635 600	0,01
Share issue March/April 2007	1 416 499	0,01
Share issue 20 September 2007	3 925	0,01
Share issue September 2008	1 635	0,01
Deletion of treasury shares 10 May 2011	(55 270)	0,01
Share issue 17 June 2011	1 211 738	0,01
Share issuance 30 June 2011	17 087 684	0,01
Issue of shares 9 August 2011 (over-allotment)	1 707 359	0,01
Shares and share capital at 31.December 2011	**47 009 170**	**470 092**

Gross proceeds from the shares issue on 30 June and 9 August 2011 amounted to USD 120 million and USD 11.8 million, respectively. According to IAS32, Höegh LNG has recorded the costs following the initial public offering between the newly issued shares and the existing shares on a rational basis.

Transaction costs totalled USD 6.5 million whereof USD 1.1 is expensed as administration costs, and USD 5.4 million recognized as a reduction in share premium. The transaction costs recorded against deduction in share premium is net of any related income tax benefit.

On 17 June 2011 Höegh LNG Holdings Ltd (HLNG) entered into a shares swap agreement with Methane Ventures Limited (MVEL) whereof MVEL's ownership in Höegh LNG Limited were traded against ownership in HLNG. Refer to Note 14 for disclosure of transactions with related party.

Note 12 // Intercompany payables

	2011	2010
Höegh LNG AS	191	41
Value at 31 December	**191**	**41**

Refer to transactions with related parties disclosed in Note 14.

Note 13 // Financial risk management objectives and policies

Capital Management

As the parent company in the Höegh LNG Holdings Ltd Group the primary objective of the Company's capital management is to ensure adequate capital ratios in order to support on-going operations, business development activities, capital expenditures and maximise shareholder value within the Group. (See Note 26 in the consolidated financials).

Financial Risk

The Company's assets comprise mainly shares in subsidiaries and interest bearing receivables. Interest bearing receivables comprises a receivable against a subsidiary, and a strategic cash reserve, marketable securities. The investment objective of the marketable securities is to seek a return above LIBOR by taking opportunistic exposure to credit, duration, currency, inflation and liquidity risk. The Company has no financial liabilities and is not in any material aspect exposed to foreign currency risk. Financial market risk relevant to the Company is thus the possibility that fluctuations in interest rates will affect the value of the Company's assets.

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

Financial assets	Carrying amount 2011	2010	Fair value 2011	2010
Financial instruments at fair value through profit or loss				
Marketable securities	90 098	-	90 098	-
Loans and receivables				
Interest bearing receivables	157 041	123 029	157 041	123 029
Trade receivables	-	100	-	100
Cash and cash equivalents	12 899	2 849	12 899	2 849
Total	**260 038**	**125 978**	**260 038**	**125 978**
Total current	**54 025**	**71 470**	**54 025**	**54 025**
Total non-current	**206 013**	**54 508**	**206 013**	**71 953**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- Long-term fixed rate and variable-rate receivables are evaluated by the Company based on interest rates. The carrying amounts are not materially different from their calculated fair values.
- Fair value of financial instruments within the Marketable securities and CAP fund portfolio is calculated by using valuation techniques with market observable inputs, including forward pricing and swap models, using present calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial liabilities	Carrying amount 2011	2010	Fair value 2011	2010
Trade and other payables	191	55	191	191
Total	**191**	**55**	**191**	**191**
Total current	**191**	**55**	**191**	**191**
Total non-current	**-**	**-**	**-**	**-**

Fair value hierarchy

Refer to Note 26 in Group accounts for fair value hierarchy.

Note 14 // Related party transactions

Subsidiaries

The Company has entered into loan agreements with subsidiaries and the total amounts of transactions for the relevant years are provided below:

Payable to related party	2011	2010
Subsidiary		
Höegh LNG AS	191	-

Receivables against related party	2011	2010
Subsidiary		
Höegh LNG Limited	154 599	69 316
Methane Venures Limited	2 335	2 155
Other related party		
Aequitas Investments Limited	-	51 068

Interest income from related party	2011	2010
Subsidiary		
Höegh LNG Limited	8 826	4 944
Methane Venures Limited	180	166
Other related party		
Aequitas Investments Limited	530	121

On 17 June 2011 the Company increased the number of shares in issue by the issuance of 1,211,738 new shares. The share issue took place in connection with the completion of a share swap in which the Company acquired the remaining 7.5% of the shares in Höegh LNG Ltd against consideration in the form of HLNG shares at a price of USD 12.7 million.

Other related parties

For transactions with other related parties, reference is made to Note 36 of Höegh LNG consolidated accounts.

Note 15 // Events after balance sheet date

Refer to Note 38 in Höegh LNG Group accounts for events after balance sheet date.

Note 16 // Guarantees

Refer to Note 37 in Group accounts for guarantees provided by the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Today, the board of directors and the President reviewed and approved the board of directors' report and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending and as of 31 December 2011 (Annual Report 2011).

Höegh LNG's parent company and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and additional disclosure requirements set out in the Norwegian Securities Trading Act.

To the best of our knowledge

- the consolidated and separate annual financial statements for 2011 have been prepared in accordance with IFRS,

- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit (or loss) as a whole as of 31 December 2011 for the Group and the parent company,

- the board of directors' report for the Group and the parent company includes a true and fair review of

  - the development and performance of the business and the position of the Group and the parent company, and

  - the principal risks and uncertainties the Group and the parent company face.

HAMILTON/STOCKHOLM, 28 MARCH 2012

THE BOARD OF DIRECTORS AND THE PRESIDENT OF HÖEGH LNG HOLDINGS LTD.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Cameron E. Adderley

Timothy J. Counsell

Andrew Jamieson

Guy D. Lafferty

Jon Erik Reinhardsen

Ditlev Wedell-Wedellsborg

Sveinung J.S. Støhle
President

Statsautoriserte revisorer
Ernst & Young AS

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To the Board of Directors and shareholders of
Höegh LNG Holdings Ltd.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Höegh LNG Holdings Ltd., which comprise the financial statements of the Parent company and the consolidated financial statements of the Group. The financial statements of the Parent company and the Group comprise the statements of financial position as at December 31, 2011, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Höegh LNG Holdings Ltd. present fairly, in all material respects, the financial position of the Parent Company and the Group as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Oslo, March 28, 2012
ERNST & YOUNG AS

Olav B. Hamre
State Authorised Public Accountant (Norway)


BØRSEN

CORPORATE GOVERNANCE REPORT

Höegh LNG Holdings Ltd. (**"HLNG"** or the **"Company"**) is a Bermuda company stock-listed on Oslo Børs.

As a company incorporated in Bermuda, the Company is subject to Bermuda law regarding corporate governance. In addition, as a listed company on Oslo Stock Exchange, the Company is subject to Oslo Stock Exchange's "Continuing obligations of stock exchange listed companies" section 7 "Corporate Governance Report" (the **"Continuing Obligations"**).

The Company has adopted and implemented a corporate governance regime which, in all material respects, complies with the Norwegian Code of Practice for Corporate Governance Code (the **"Corporate Governance Code"**) referred to in the Continuing Obligations section 7. The Corporate Governance Code and the Continuing Obligations are published on Oslo Stock Exchange's web site – www.oslobors.no. The Corporate Governance Code is also available at the web pages of the Norwegian Corporate Governance Board - NUES - www.nues.no.

The board of directors of the Company (the **"Board"**) has prepared the following report on the Company's compliance with the Corporate Governance Code and the Continuing Obligations section 7.

1 / Implementation and reporting on corporate governance

The Board has adopted a corporate governance policy (the **"Corporate Governance Policy"**) to reflect the Company's commitment to good corporate governance. In furtherance of this goal, the Board has also adopted a code on board proceedings (**"Rules of Procedure for the Board of Directors"**), an insider trading policy, ethical rules, an anti-corruption manual and a competition compliance manual (together **"HLNG Corporate Governance Policy"**).

Through compliance with the HLNG Corporate Governance Policy adopted by the Board, the Board and management shall contribute to achieving the following objectives:

Trust: Good corporate governance shall establish a basis for trust in the Board and the management by the shareholders and other stakeholders. Trust shall also be built by ensuring that the Company's behaviour is in accordance with the stated policy.

Transparency: Communication with HLNG's shareholders shall be based on transparency in relation to affairs of the Company which are of importance for assessing the Company's development and its financial position.

Independency: The relation between the Board, the management and the shareholders shall be on an independent basis. This will ensure that decisions are made on the basis of qualified and neutral reasons.

Equality: HLNG aims to give all its shareholders equal treatment and rights.

Control and management: Good control and governance mechanisms shall contribute to predictability and reduction of risk.

2 / Business

In accordance with common practice for Bermuda registered companies, the Company's objectives and powers as set out in its Memorandum of Association are broad and are therefore wider and more extensive than recommended in the Corporate Governance Code. The Memorandum of Association is available on the Company's web pages (Investor – Corporate Governance).

The Group's strategy is to offer the complete chain of floating LNG services, from production, maritime transportation and regasification to market access. The Group shall own, operate and develop floating LNG services and participate in developing projects related to the LNG sector based on the following vision, mission and core values:

VISION To become a market leader in floating LNG Services.

MISSION To develop, manage and operate the Group's assets to the highest technical and commercial standards, thereby maximizing the benefits to its customers, shareholders and employees.

CORE VALUES Innovative, Competent, Committed and Reliable.

In order to meet the Group's goals and succeed with the Group's strategy and being able to adapt to market changes, the importance of being innovative and creative with respect to the technical, operational, financial and commercial aspects of the Group's activities are central. A further description of the Company's business is given in the Company's Annual Report.

3 / Equity and dividends

The issued share capital in the Company at year-end 2011 was USD 470,091.70 consisting of 47,009,170 fully paid common shares, each with a nominal value of USD 0.01.

As stated in the Company's annual report, the total book equity per 31 December 2011 was USD 133.3 million. The Board subsequently increased the equity in a private placement with gross issue proceeds of approximately USD 206 million. The Board regards the increased equity as an appropriate level considering HLNG's objectives, strategy and risk profile.

The Company has not paid any dividends since its incorporation in 2006, and does not expect to pay dividends in the short-term perspective due to its expansion strategy. HLNG's long-term objective is however to pay dividends in order to maximize shareholder return as well as to make the HLNG share an attractive investment for investors. The timing and amount of dividends will depend on the earnings of its subsidiaries, financial and borrowing conditions, capital expenditure, market prospects, investment opportunities and is subject to Bye-law 37 and Bermuda law.

Pursuant to Bermuda law and as is common practice for Bermuda registered companies, the Board has wide powers to issue any authorized but unissued shares in the Company on such terms and conditions as it may decide, and may, subject to any resolution of the shareholders in general meeting, and to the rights of any issued shares, attach such rights and restrictions as the Board may determine. Likewise, the Board may, without approval from the shareholders in a general meeting, acquire the Company's own shares to be cancelled or held as treasury shares. These Bye-law provisions (items 3.3, 3.4 and 5) are neither limited to specific purposes nor to a specified period as recommended in the Corporate Governance Code.

4 / Equal treatment of shareholders and transactions with close associates

The Company has only one class of shares.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Bermuda Companies Act and the Bye-Laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested, his vote will be counted, and he will be taken into account in ascertaining whether a quorum is present.

According to the Company's Ethical Rules, executive personnel (and any other employees) cannot take part in any dealings or decision-making in matters of special

importance to him/her or related party so that they may be considered to have a strong personal or financial interest in the matter. An Employee shall immediately notify the CEO, business area leader, or Head of HR when he/she realises that a conflict of interest may arise. If a conflict of interest exists, the Employee shall immediately withdraw from further dealings with the relevant matter.

5 / Freely negotiable shares

The common shares of the Company are freely transferable and the Company's constitutional documents do not impose any transfer restrictions on the Company's common shares. However, the Bye-law 14.3 includes a right for the Board to decline to register a transfer of any common share registered in the share register, or if required, refuse to direct any registrar appointed by the Company the transfer of any interest in a share, where such transfer would result in 50% or more of the shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares or votes being effectively connected to a Norwegian business activity. The purpose of this provision is to avoid that the Company is being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6 / General meetings

The general meeting is the Company's highest decision-making body. The annual general meeting resolves among other things the approval of the Company's annual report and financial statements, appoints the auditor and elects the Board. The Bye-laws 19 to 24 sets outs extensive rules of procedures with regard to notices, general meetings at more than one place, proceedings, voting, proxies and corporate representatives.

According to Bye-law 22.8, the Board may choose one of its numbers to preside as chairman at a general meeting.

7 / Nomination committee

The Bye-law 19.7 provides that from the close of the 2012 annual general meeting of the Company, the Company shall have a nomination committee composed of three (3) members elected by the shareholders in a general meeting, and the first nomination committee will be elected at the annual general meeting in

2012. The reason for the late implementation is that the Company held its 2011 annual general meeting before the stock exchange listing and it was the opinion of the then shareholders that the post listing shareholders should have influence on the composition of the nomination committee. The general meeting adopted further guidelines for the nomination committee at the 2011 annual general meeting.

8 / Corporate assembly and board of directors: composition and independence

The Company does not have a corporate assembly.

A presentation of the directors of the Board is given on pages 16-17 of the Annual Report.

All Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the Shares in the Company), except for Leif O. Høegh who is an indirect shareholder in Leif Höegh & Co Ltd. which is the majority shareholder in the Company, and for Morten W. Høegh who is the primary beneficiary under a family trust that is an indirect shareholder of Leif Höegh & Co. Ltd.

In 2011, the Board had three board meetings, where all directors were present (save for absence by Cameron Adderley and Timothy Counsell in one meeting each). The Board had also four interim board meetings, with Cameron Adderley and Timothy Counsell attending. In addition, the Board had one information meeting and a strategy seminar.

The Company has appointed two board committees; the audit committee (**"Audit Committee"**) and the governance and compensation committee (the **"Governance and Compensation Committee"**). The members of the committees are appointed among the members of the Board.

The Audit Committee consists of the following Board members: Andrew Jamieson (Chairman), Morten W. Høegh, Guy D. Lafferty and Ditlev Wedell-Wedellsborg, who are elected for a period in office of one year. All members are independent of the executive personnel of the Company and the Group. Andrew Jamieson and Ditlev Wedell-Wedellsborg are considered to be independent of the major shareholder of the Company.

The Governance and Compensation Committee consists of Jon Erik Reinhardsen (Chairman), Leif O. Høegh and Cameron E. Adderley which are elected for a period in office of one year. All members are independent of the executive personnel of the Company and the Group. Jon Erik Reinhardsen and Cameron E. Adderley are considered to be independent of the major shareholder of the Company.

During the process of listing the Company at Oslo Stock Exchange, the Board appointed a Listing Committee. The members of the Listing Committee were Morten W. Høegh, Ditlev Wedell Wedellsborg, Cameron Adderley, Timothy Counsell and Alison Dyer-Fagundo. The Listing Committee had six meetings.

Morten W. Høegh, Leif O. Høegh, Guy D. Lafferty and Jon Erik Reinhardsen own directly or indirectly shares in the Company.

Bye-law 25 regulate the appointment and removal of directors.

9 / The work of the board of directors

The Board has among its tasks to establish the group's overall objectives and strategies, resolve budget and business plans, consider and approve financial statements and quarterly financial reports, monitor the financial development, establish policies and resolve issues with strategic implications and material consequences. The work of the Board is scheduled in an annual plan with fixed information- and decision points. If required, interim board meetings are arranged in accordance with the Rules of Procedure for the Board of Directors.

The Board has authorised Höegh LNG AS to carry out the day-to-day management of the assets under a Management Agreement comprising administrative-, commercial- and technical activities. The Board establishes and defines authorities and extent of decisions to be resolved by each business unit, the president and the Board through the Company's Decision Guides.

Board Committees

The Audit Committee's and the Governance and Compensation Committee's tasks are defined in committee charters, which are reviewed annually. The committees' work is of a preparatory nature in order to increase the efficiency of the work of the Board and does not imply any delegation of the Board's legal responsibilities. The committees report to the Board.

10 / Risk management and internal control

The Board appreciates the importance of internal control and systems for risk management.

The Company has implemented a Quality Management System (**"QMS"**) specified to demonstrate capability to plan, operate and control the processes involved in the services rendered. HLNG has implemented a QMS that is integrated, meaning that health (including occupational health), safety and environment management and project risk management all are included in the QMS.

The CEO reports monthly to the Board in a Monthly Report on HSE issues, quality assurance issues, financials, on-going business and business developments, ship management and key performance indicators.

The Governance and Compensation Committee's primary responsibilities in providing assistance and facilitating the decision making in the Board include:

- Evaluating the procedures and strategies for corporate governance in the Company and the Group and recommend improvements.

- Conducting a formal evaluation of the executive personnel annually, applying firmly established performance objectives tied to, impact on business performance, ability to select and develop the right people for the management team, scope of influence on outcomes, fulfilment of shareholders expectations, vision and strategy for the Group's future, succession plan and effectiveness in managing external relations.

- Assessing the Company's and the Group's compensation and benefits strategy for its executive personnel by an annual review of the organisation's overall compensation plan (or practices).

- Overseeing the President's efforts to identify and develop potential successors for key executive personnel.

- Reviewing annually the Board, including performance, working methods and practices.

- Reviewing and assessing the Group's policies on ethics, conflicts of interest and competition law compliance.

- Arranging annually an assessment of the decision making process in the Company and the Group and reviewing and reporting in respect of same.

- Reporting the committee activities and actions to the Board through written minutes of meetings and making ad hoc presentations at Board meetings.

- Reviewing and reassessing the adequacy of the Governance and Compensation Committee's own charter annually and recommending any proposed changes to for approval by the Board.

11 / Remuneration of the board of directors

The remuneration of the Board in 2011 was at total of USD 150,000.

Appleby Services (Bermuda) Ltd. receives fees for the provision of Cameron E. Adderley and Timothy J. Counsell's services as Directors of the Company. Both are partners of Appleby and thereby each an owner of Appleby Services (Bermuda) Ltd.

Andrew Jamieson also provides certain consultancy services to the Company and is remunerated USD 30,000 annually for these services.

Morten W. Høegh also receives an annual salary of GBP 36,000 from Leif Höegh (UK) Ltd. (a subsidiary of the Company) for his part-time employment with the company.

The Company has no pension or retirement benefits for the members of the Board.

No member of the Board has service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

12 / Remuneration of executive personnel

HLNG is offering its executive personnel a remuneration package comprising a fixed and a variable element. The fixed element comprises salary, benefits and pension, whereas the variable element comprises membership in a bonus scheme. The purpose of the bonus scheme is to (a) drive performance and motivation; (b) maintain an "median" basic salary, with the opportunity to earn additional variable pay, in-line with the achievement of goals and results and (c) remain a competitive employer within the LNG market. The bonus scheme takes into consideration the long lead time from business development activity to materialization of a new project, as a minor part of the bonus potential is subject to individual performance only, and the remaining and lion's share of the bonus potential is subject to share price development and individual performance.

Further details on executive remunerations are provided in Note 36 on page 65 of the Annual Report.

13 / Information and communications

HLNG has a policy of openness when it comes to reporting information to stakeholders. Periodical reports include quarterly reports and the Annual Report. All reports are published through stock exchange releases and at the Company's web page. Main events are also reported through press and stock exchange releases.

The Rules of Procedure for the Board of Directors includes guidelines in order to secure disclosure in accordance with the financial calendar adopted by the Board.

The Board is in the process of establishing guidelines for the company's reporting of financial and other information and the company's contact with shareholders other than through general meetings.

14 / Take-overs

The company endorses the principles concerning equal treatment of all shareholders. It is obliged to act professionally and in accordance with the applicable principles for good corporate governance set out in the Corporate Governance Code in the event of a takeover bid.

15 / Auditor

The auditor is appointed at the general meeting and has the duty to audit the Company's financial reporting. The Company's auditor is currently Ernst & Young.

In order to safeguard the Board's access and control of the auditor's work, the auditor meets with the Audit Committee. The auditor is also given copies of agenda and documentation for and minutes from board meetings.

Information of the fee paid to the auditor can be reviewed in the Company's Annual Report.

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