HÖEGH LNG

THE FLOATING LNG COMPANY

ANNUAL REPORT

2012

HÖEGH LNG IN BRIEF

Höegh LNG is a provider of floating LNG (liquefied natural gas) infrastructure services under long-term contracts. The Company owns and operates floating storage and regasification units (FSRUs), which act as floating LNG import terminals, and LNG carriers, that transport the LNG to its markets. Höegh LNG's vision is to become one of the world's leading providers of floating LNG services.

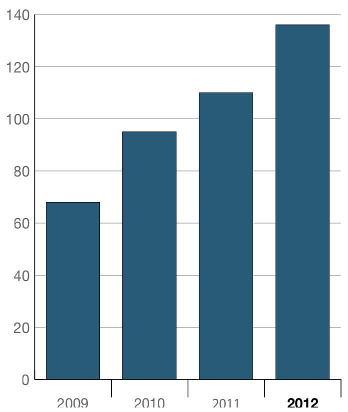
KEY FIGURES

USD million	2012	2011	2010	2009
INCOME STATEMENT				
Total income	**136**	110	95	68
Operating profit before depreciation (EBITDA)	**47**	26	24	8
Operating profit	**35**	6	10	3
Profit / (loss) of the year	**9**	(18)	(12)	12
Earnings per share (USD)	**0.13**	-0.48	-0.42	0.11
CASH FLOWS				
Net cash flow operating activities	**32**	25	23	62
Net cash flow investing activities	**(225)**	(102)	(45)	(115)
Net cash flow financing activities	**289**	85	28	(115)
Net increase/(decrease) in cash and cash equivalents	**96**	8	7	(168)
FINANCIAL POSITION				
Non-current assets	**820**	613	560	500
Current assets	**252**	132	89	69
Total assets	**1072**	745	649	596
Equity	**344**	133	73	102
Equity adjusted for mark-to-market	**477**	265	154	164
Net interest bearing debt	**290**	300	359	314

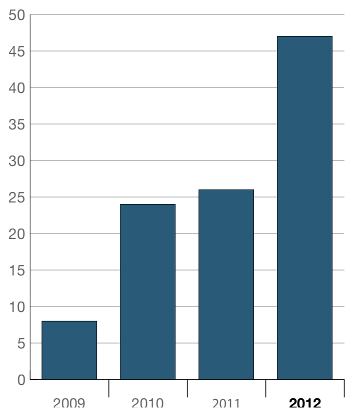
Definitions Key Figures

1. Equity adjusted for mark-to-market = Equity plus the negative total mark-to-market value of the Group's interest and currency hedges

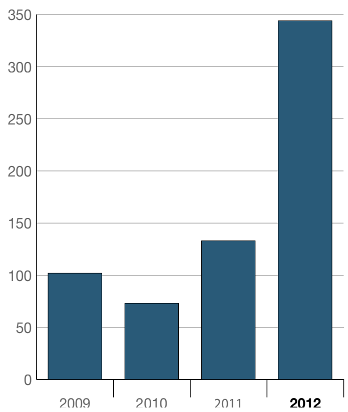
2. Net interest bearing debt = Long-term and short term interest bearing debt less interest bearing receivables, marketable securities, cash and cash equivalents, and restricted cash



Income



EBITDA



Equity

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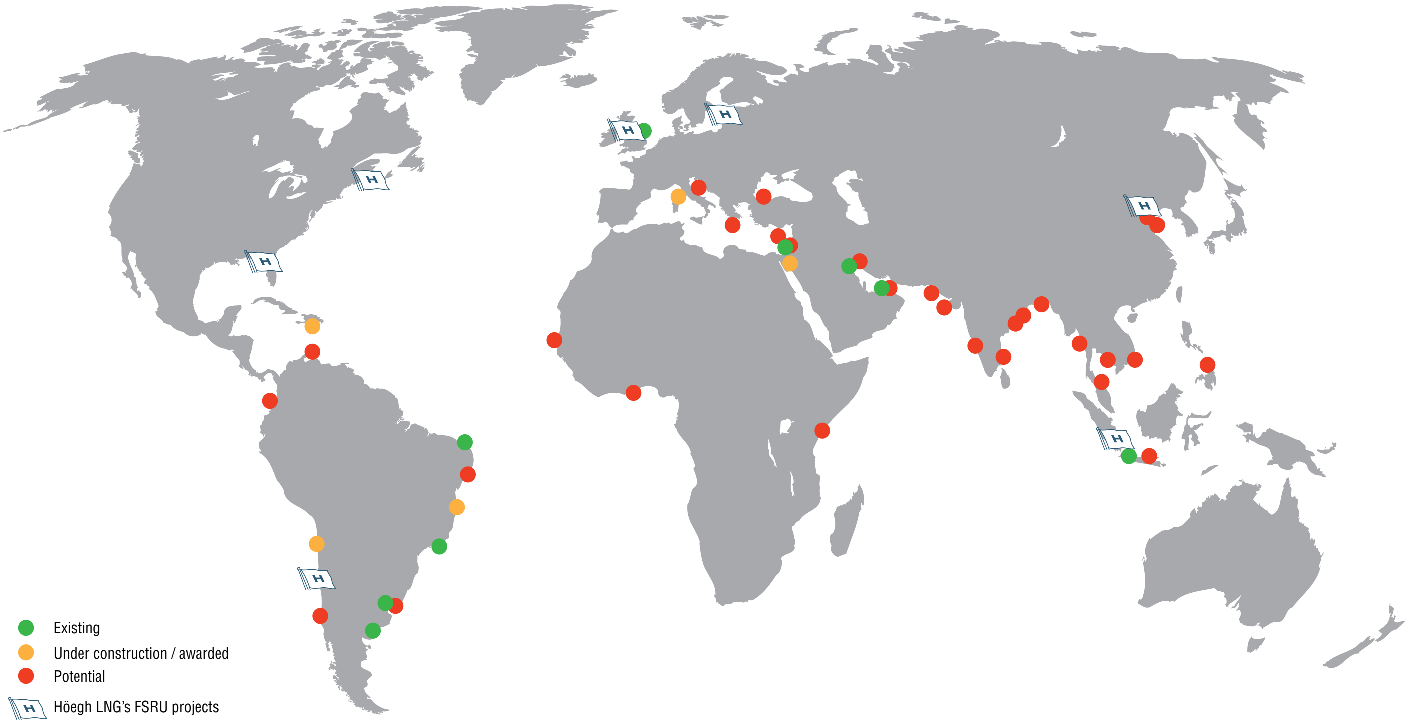
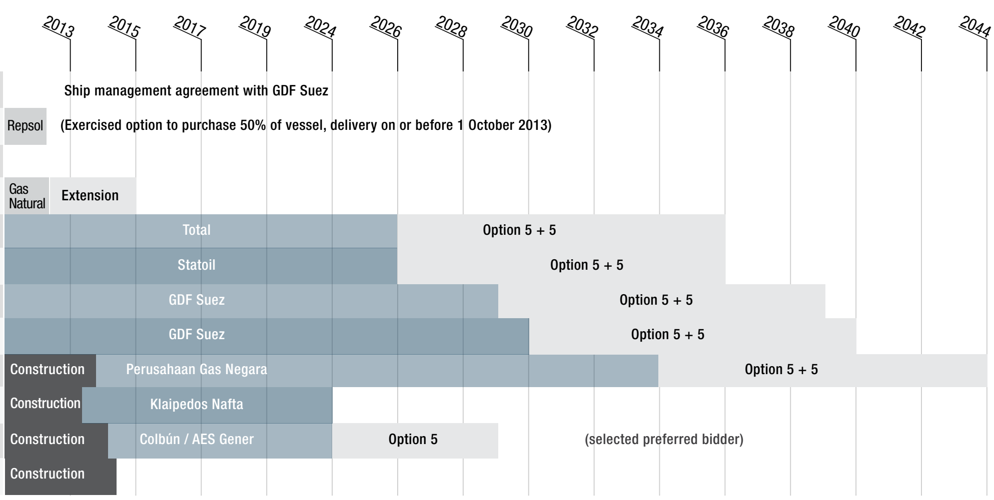
THE GLOBAL FSRU MARKET



VESSEL EMPLOYMENT SCHEDULE

	Vessel	Built	Ownership	Capacity (m³000)
LNG Carriers	Matthew	1979	0%	126´
	STX Frontier	2010	0% / 50%	153´
	LNG Libra	1979	100%	126´
	Norman Lady	1973	50%	87´
	Arctic Lady	2006	50%	147´
	Arctic Princess	2006	34%	147´
FSRUs	GDF Suez Neptune	2009	50%	145´
	GDF Suez Cape Ann	2010	50%	145´
	Hull 2548	2014	100%	170´
	Hull 2549	2014	100%	170´
	Hull 2550	2014	100%	170´
	Hull 2551	2015	100%	170´



HÖEGH LNG 2012

JANUARY

- LNG Libra chartered out to the North West Shelf project in Australia with start-up in July
- Selected preferred bidder for FSRU for Klaipedos Nafta in Lithuania
- Signs 20 year FSRU contract with Perusahaan Gas Negara in Indonesia

FEBRUARY

- Raises USD 206 million in equity
- Orders third new FSRU from Hyundai Heavy Industries
- Implements management stock option plan

MARCH

- Signs firm 10 year FSRU time charter contract with Klaipedos Nafta in Lithuania
- Informed about relocation of the Indonesian FSRU from the north to the south of Sumatra

APRIL

- Incorporates Höegh FLNG Ltd. in Bermuda

MAY

- Awarded engineering studies contract for FLNG
- Extension of Norman Lady charter agreement at improved terms

JULY

- Delivery of second hand LNG carrier LNG Libra
- LNG Libra commenced six month time charter for North West Shelf project

AUGUST

- Receives commitment letters for USD 250 million senior secured credit facility for financing of FSRU for Lithuania

SEPTEMBER

- Selected preferred bidder for FSRU to Colbún and AES Gener in Chile
- Issues five year NOK 750 million (USD 130 million) senior unsecured bonds
- Orders its fourth new FSRU with Hyundai Heavy Industries
- Exercises option to acquire 50 % of the LNG carrier STX Frontier

OCTOBER

- Signs revised FSRU agreement with Perusahaan Gas Negara in Indonesia
- Sells planned UK deepwater LNG import terminal project Port Meridian

NOVEMBER

- Loan agreement for the FSRU for Lithuania signed
- GDF Suez Cape Ann modified to allow gas delivery over the vessel's side

ANNUAL REPORT FOR HÖEGH LNG 2012

GROWTH AHEAD

By raising capital across several capital markets, placing orders for new regasification units and securing long-term employment for three FSRUs, Höegh LNG's development in 2012 exceeded expectations. These and other activities have created a strong platform for future growth.

In 2012, Höegh LNG executed its business plan to further expand in the growing market for floating storage and regasification units (FSRUs). In addition to successfully fulfilling long-term contracts for its existing fleet of LNG vessels, the Company expanded its FSRU newbuilding programme at Hyundai Heavy Industries to four units and secured long-term employment for three of them. The current newbuilding programme is scheduled to be completed in 2015, and will result in the most advanced fleet of FSRUs in the industry.

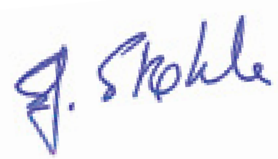
At present there are more than 30 potential floating regasification projects in various phases of development worldwide. Most of these are located in Asia and the Americas, where Höegh LNG has offices in Singapore and the US. In addition, Höegh LNG's presence in Norway and the UK will help the Company attract business in Europe, where the market for floating regasification is expected to grow. As one of the few companies in the world with relevant in-house technical competence and available units, Höegh LNG is well positioned to serve the growing market for floating regasification services.

Höegh LNG has during the year made good progress towards meeting demand for floating LNG production (FLNG). The Company continued to develop its FLNG position, and delivered paid engineering studies and related services for a number of projects. Höegh LNG also transferred all assets related to the FLNG business to a newly established and wholly-owned subsidiary, Höegh FLNG Ltd., which operates as a stand-alone company. Höegh FLNG is working at securing commercial contracts and raising capital to fund the next expansion phase of its business.

While Höegh LNG recognises significant growth potential in the LNG regasification and production segments, the Company continues to seize opportunities within traditional LNG transportation too. In 2012, the Company took 50 percent ownership of the STX Frontier, expanding its current fleet of LNG carriers to six vessels.

To facilitate the growth of the Company, Höegh LNG raised nearly USD 600 million of new funding in 2012 by way of share issues, a bond issue and new bank debt. The Company has raised the equity and is in the process of raising the remaining long-term bank financing needed to complete the current investment plan. In 2012, the Company also began to explore the formation of a Master Limited Partnership in order to access US capital markets.

Looking ahead, we will focus on continued growth in the FSRU segment, where we have been able to obtain long-term contracts with attractive returns. The Company's commercial success in 2012 is encouraging, but as Höegh LNG continues to expand, our success will not be determined by the promise of new opportunities, but by how well we finance and execute existing and new projects.



Sveinung J. S. Støhle
President and Chief Executive Officer

THE HISTORY

Höegh LNG grew out of Leif Höegh & Co, a leading Norwegian shipping company founded in 1927. For most of its history, Leif Höegh & Co was a shipping conglomerate active in a broad range of shipping segments, including LNG transportation. In 2000, the company decided to focus exclusively on car carriers and gas carriers and in 2006, Höegh LNG Holdings Ltd. (the "Company") was established as an independent company. In 2011, the Company was listed on the Oslo Stock Exchange.

Höegh LNG's involvement in gas transportation started with LPG carriers in the 1960s and in 1970, it became the first company to order an LNG carrier with spherical Moss-design tanks.

In the period from 1973 to 2001, Höegh LNG owned and operated the three LNG carriers Norman Lady, Höegh Gandria and Höegh Galleon. The former vessel is still sailing for Höegh LNG, while the latter two have been sold. In 2001, the Company became manager of the LNG carrier Matthew, which is owned by GDF Suez. The vessel is still being managed by the Company.

In 2001, Höegh LNG ordered two LNG carriers in partnership with Mitsui-OSK Line of Japan. At the time, the vessels were the largest LNG carriers in the world, with a capacity of 147,000 cubic meters. Delivered in 2006, the vessels are sailing under a 20-year time charter agreement with Statoil and Total, respectively, transporting LNG from the Snøhvit liquefaction plant near Hammerfest, in the northern part of Norway.

In 2009 and 2010, Höegh LNG took delivery of its first two floating storage and regasification units (FSRUs). The vessels serve as floating LNG import terminals and has the capability to connect to a submersible offshore buoy to feed gas into a pipeline to the gas grid on land. Since deli-very, they have been serving both as FSRUs off the coast of Boston, Massachusetts and as traditional LNG transportation vessels under a 20-year time charter agreement with GDF Suez.

With a proven track record, Höegh LNG became one of three players in the industry with the tonnage and experience to manage the floating regasification of LNG. In 2011 and 2012, Höegh LNG expanded its capacity in the floating regas segment by ordering four high-capacity purpose-built FSRUs, scheduled for delivery in 2014 and 2015. The vessels were ordered before employment was secured, but during 2012, Höegh LNG announced that three of the four FSRUs had been selected for long-term contracts.

Höegh LNG has also developed a floating liquefaction (FLNG) design to provide energy companies with the flexibility to liquefy gas on a floating unit. In 2012, the Company transferred all assets related to these projects into a new, wholly owned subsidiary, Höegh FLNG Ltd., which operates as a stand-alone company from 2013.

1927	Leif O Høegh ordered his first oil tanker
1970	Höegh ordered the world's first LNG carrier with spherical tanks
1973	LNG carrier Norman Lady delivered from yard
1977	Second LNG carrier, Höegh Gandria delivered from yard
1998	Third LNG carrier, Mystic Lady acquired and renamed Höegh Galleon
2001	Höegh secured management of LNG carrier Matthew
2006	Delivery of LNG carriers Arctic Princess and Arctic Lady
2006	Sale of Höegh Galleon
2006	Höegh LNG Ltd. incorporated as an independent company
2007	Sale of Höegh Gandria
2009	FSRU GDF Suez Neptune delivered
2010	FSRU GDF Suez Cape Ann delivered
2011	Initial public offering of Höegh LNG Holdings Ltd. on Oslo Børs
2012	LNG carrier LNG Libra acquired
2012	Agreements for long-term FSRU charter parties in Indonesia and Lithuania
2012	Preferred bidder for a long-term FSRU charter party in Chile
2012	Exercised option to acquire 50 percent of LNG carrier STX Frontier
2012	FLNG business area transferred to Höegh FLNG Ltd.

MANAGEMENT

SVEINUNG J. S. 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)

CHIEF EXECUTIVE OFFICER OF HÖEGH FLNG LTD.

Mr. Knutsen is a consultant and partner with OEC Consulting AS and serves as Chief Executive Officer of Höegh FLNG Ltd. 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.

IVAR GRØNENG (born 1964)

VICE PRESIDENT, HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Mr. Grøneng serves as Vice President of health, safety, environment and quality of the Group through his employment with Höegh LNG AS. He has more than 30 years of experience from the shipping and maritime industries, including the position as Head of HSEQ in Höegh LNG Fleet Management AS and several HSEQ and management positions in The Norwegian Maritime Authority (NMD) and Helly Hansen PRO. He holds a Masters License after a 15 year seafarer career, serving mainly on chemical and LNG tankers. He is a Norwegian citizen and resides in Norway.

CAMILLA NYHUS-MØLLER (born 1976)

SENIOR VICE PRESIDENT, LEGAL AND COMPLIANCE

Ms. Nyhus-Møller serves as Senior Vice President Legal and Compliance 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

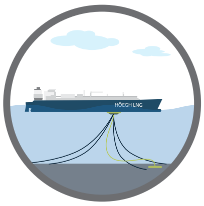
Mr. Aasbø serves as Senior Vice President of project services of the Group through his employment with Höegh LNG AS. He has more than 15 years of experience from the shipping and offshore industries, including positions as Vice President of project execution and Senior Manager of business development 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)

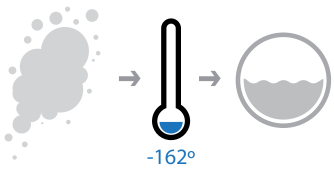
MANAGING DIRECTOR, HÖEGH LNG ASIA PTE. LTD.

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.

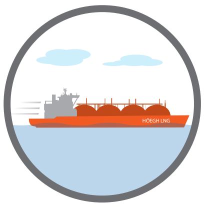
THE LNG VALUE CHAIN



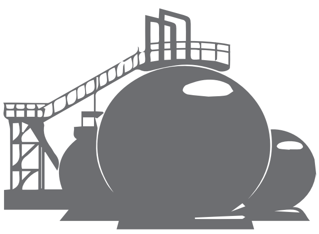
PRODUCTION - natural gas is extracted from underground or subsea sedimentary formations



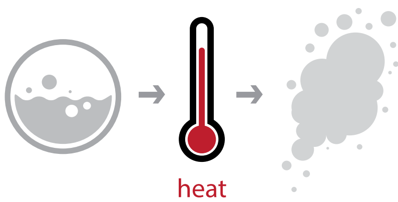
LIQUEFACTION - natural gas is cooled down to -163 degrees Celsius, at which point it becomes liquid. By liquefying the natural gas the volume shrinks 600 times, thus making it cost efficient to transport over long distances.



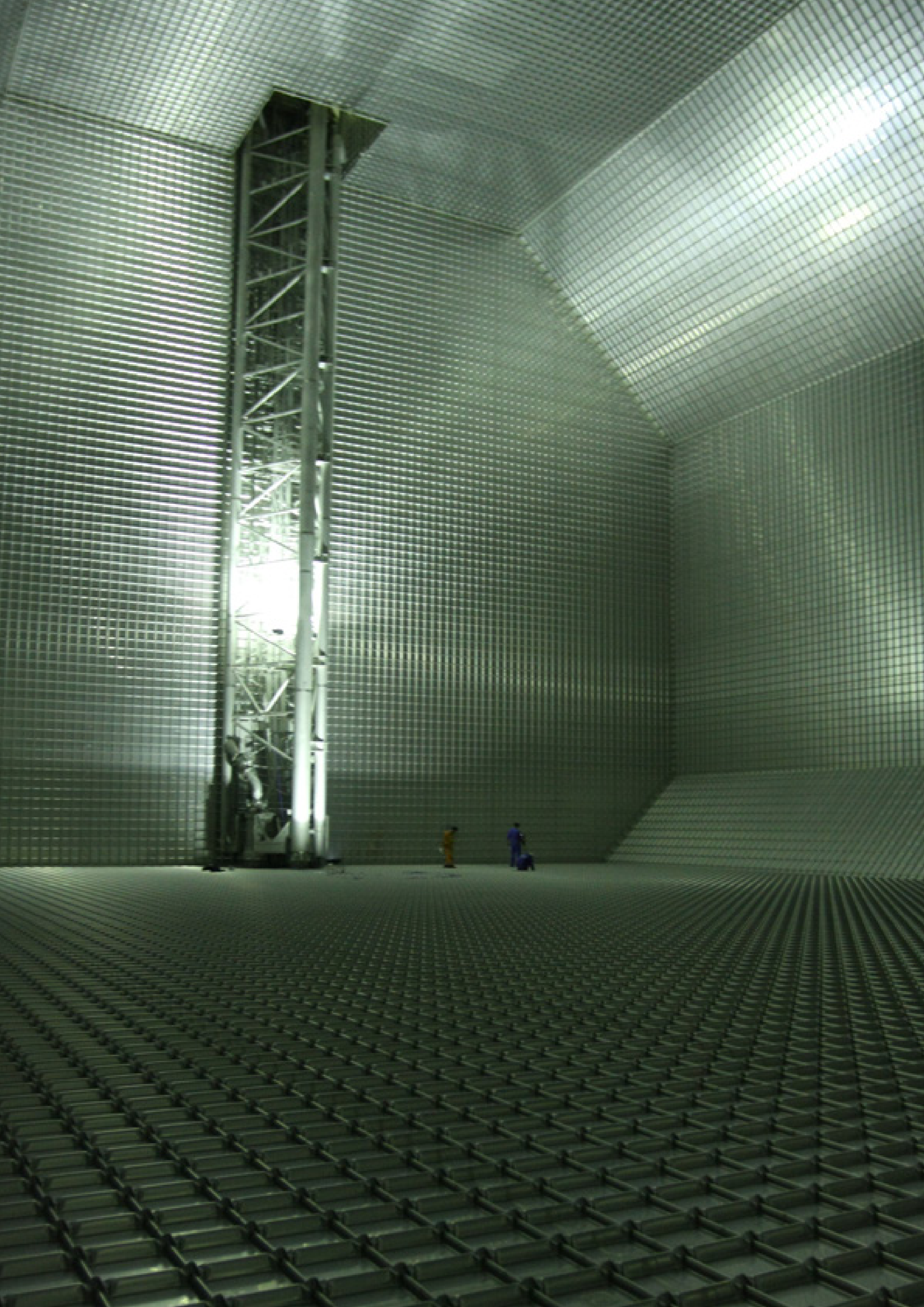
TRANSPORTATION - LNG is transported by vessels (LNG carriers)



STORAGE - Natural gas is stored as a liquid at sea or on land.



REGASIFICATION - LNG is heated to a gas, then fed into a pipeline grid for delivery to industrial or consumer markets



MARKET

Natural gas

What is natural gas?
Natural gas is a naturally occurring hydrocarbon gas consisting primarily of methane, carbon dioxide, nitrogen and other hydrocarbons. Natural gas is used primarily to generate heat and electricity but is also increasingly used as fuel for vehicles and as a chemical feedstock in the manufacture of plastics and other organic chemicals.

Over the past two hundred years, the world's primary source of fuel has shifted from wood to coal and oil. More recently, natural gas has emerged to become the third major global source of energy. According to an ExxonMobil study, natural gas is expected to be the fastest-growing major fuel source to 2040 and will have overtaken coal as the second most popular fuel (after oil) by 2025.

Economic growth creates demand for power generation, which remains the primary driver for the rising demand for natural gas. Demand for natural gas is also impacted by relative fuel prices, national energy policies, and technical innovations that create more efficient engines and generators, as well as developments of alternative sources of power, such as nuclear and renewables.

Global gas supply is about 330 billion cubic feet per day. It is expected to increase by 65 percent to about 540 Bcf/d by 2040.

A growing share of global natural gas supply will come from unconventional gas, e.g., from shale and tight rock formations.

LNG

What is LNG?
Liquefied natural gas (LNG) is natural gas cooled down to -163 degrees Celsius, at which point it becomes liquid. By liquefying the natural gas, the volume shrinks 600 times, making it cost efficient to transport over long distances where pipeline transportation would not be feasible.

The technology for effective LNG transportation was not developed until the 1960s, when systems to cool gas to a liquid were developed, making transportation commercially viable. Today, about 11 percent of the natural gas world wide is transported as LNG. By 2040, 15 percent of global gas demand will be met by LNG.

Liquefaction

In 2012, the global LNG production was about 237 million tonnes p.a. (mtpa). Qatar is the world's largest LNG exporter, followed by Malaysia and Indonesia. By 2017, production capacity is forecast to increase by almost 140 mtpa.

Of the world's 13 new liquefaction plants currently under construction, seven are located in Australia, which is set to become the world's largest LNG exporter by 2018. Large reserves of shale gas have positioned both the United States and Canada to become significant LNG exporters. Analysts project that export from the US will start in 2016. It is also expected that Coastal East Africa and the Eastern Mediterranean will start exporting LNG over the next few years.

Due to advances in technology, more LNG is becoming available all the time. One innovation is “floating LNG” (FLNG), floating units that can process and liquefy gas offshore or moored in harbours.
The world's first three FLNGs are currently under construction and will be used for offshore gas fields in Australia and Malaysia, and for an inshore project in Colombia.

Transportation

Today, the world's fleet of LNG carriers consists of approximately 364 vessels, of which about 80 percent are on long-term contracts. The order book currently stands at 88 carriers, representing 24 percent of the existing fleet. The new vessels on order will enter service in 2013, 2014 and 2015, and about 50 percent of these new vessels have already secured employment.

As a general rule, between one and two LNG carriers are needed for each million tonnes of annual capacity increase, depending on the distance to the market. The present carrier fleet, including vessels on order, will most likely be insufficient to meet the demand for LNG transportation once the new liquefaction capacity currently under construction is operational. Therefore, the long-term outlook for the LNG carrier market remains positive.

Import terminals

There are currently about 130 LNG import terminals in the world, with a total capacity of about 570 mtpa. With the growing demand for natural gas and a rapid increase of LNG production capacity, there will be a greater need for more LNG import capacity. Due to variations in demand, the current global import capacity exceeds liquefaction capacity by a factor of about two. The terminals currently under construction have a combined capacity of about 80 mtpa. To manage the expected increase in LNG volumes, further import capacity additions are being planned.

Traditionally, LNG import facilities have been built onshore. However, floating storage and regasification units (FSRUs) have emerged as a viable alternative. Compared to shore based facilities, FSRUs are less capital intensive, more flexible and have a shorter implementation time, enabling energy companies to gain faster access to gas markets. As demand for natural gas increases, demand for floating regasification services is expected to rise accordingly.

At present, more than 30 potential floating regasification projects in various phases of development have been identified worldwide, most of which are located in Asia and South America. Longer term, Europe is expected to see an increasing number of floating regasification projects. There are currently fourteen FSRUs in operation worldwide. While a number of new players are seeking to enter the market, there are currently only three owners and operators, including Höegh LNG, that have the tonnage and experience required to serve this rapidly expanding market.

OUR BUSINESS AREAS

Höegh LNG is a provider of floating LNG infrastructure services under long-term contracts. Our services comprises floating liquefaction, transportation and regasification of LNG. We are organised in three business areas; regasification, fleet and operation and floating production.

HÖEGH LNG

REGASIFICATION

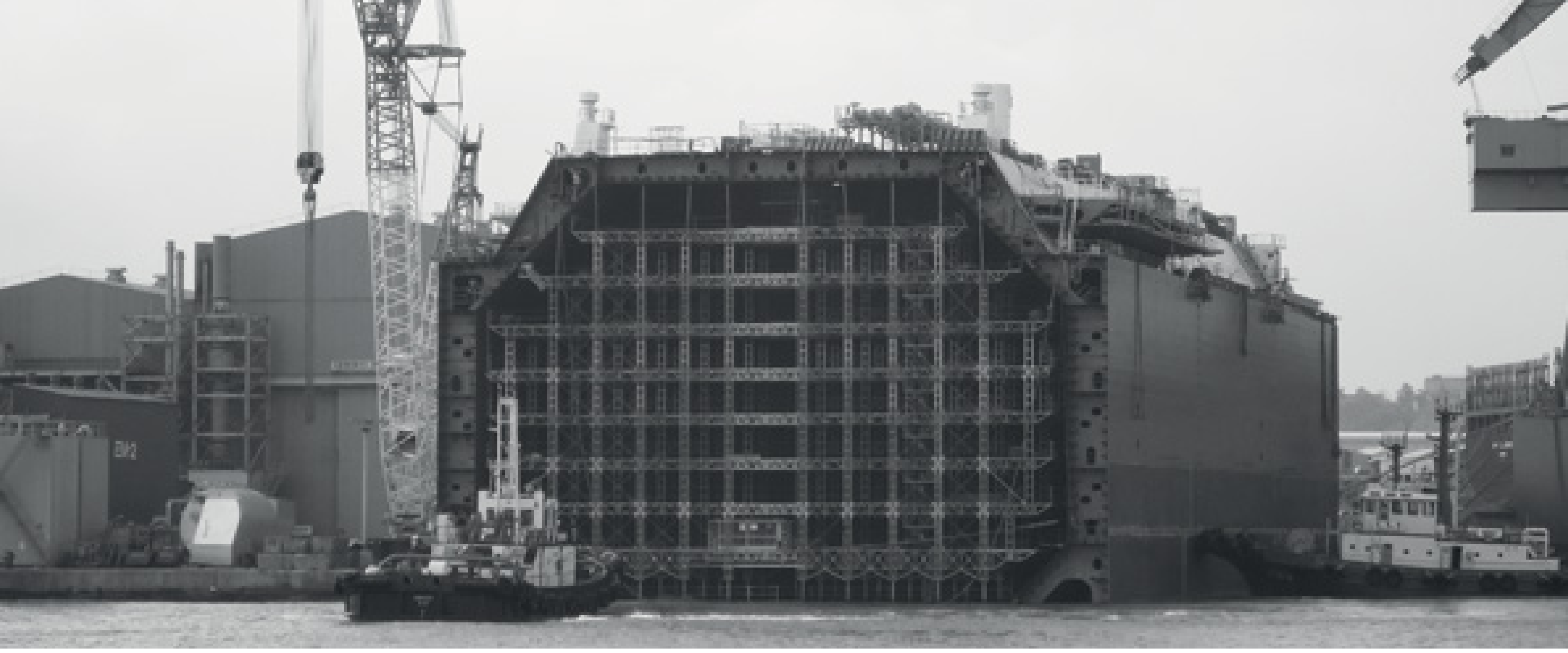
FLEET AND OPERATION

FLOATING PRODUCTION

Regasification is responsible for the marketing, sales and construction of FSRUs. Once completed, the FSRUs are handed over to fleet and operation.

Fleet and operation is responsible for the operation and management of all the Group's LNG carriers and FSRUs.

Floating production is responsible for marketing, building and operating vessels for floating LNG production (FLNG).



REGASIFICATION

What is an FSRU?
A floating storage and regasification unit (FSRU) is a floating LNG import terminal moored offshore or to a jetty allowing energy companies to store and regasify LNG close to the markets they serve. The great advantage of an FSRU as compared to an onshore regasification facility is that it takes half the time to build, costs less than half, and is inherently more flexible.

Höegh LNG offers floating storage and regasification services to energy companies worldwide. The Company owns and operates two FSRUs and has four units under construction at Hyundai Heavy Industries in South Korea, scheduled for delivery in 2014 and 2015. The four FSRUs under construction are of similar design, with a storage capacity of 170,000 cubic meters and technical specifications optimised for most FSRU tenders. Three of the four new FSRUs will also be able to operate as ordinary LNG carriers.

In 2012, Höegh LNG secured long-term contracts for two of the four units for projects in Indonesia and Lithuania and was selected preferred bidder for a project in Chile. The Company continues bidding for new projects to secure employment for its fourth new FSRU and to grow its business.

For the Indonesian project, the new floating LNG import terminal will connect to the South Sumatra – West Java Transmission Pipelines, supplying gas to the West Java and Jakarta region and replacing supply from depleting gas fields in Sumatra. The FSRU will be on a 20-year charter agreement with Perusahaan Gas Negara (PGN) commencing in June 2014 and with two five-year extension options. PGN is a publicly traded company, 57 percent owned by the Indonesian government. It operates about 6 000 km of natural gas transmission and distribution pipelines in Indonesia and Singapore.

The new LNG import terminal in Lithuania will create an alternative source of supply of natural gas, and eliminate the dependence on its current single external gas supplier. Natural gas presently constitutes one third of the country's primary energy usage. The terminal is being built in the Port of Klaipeda and will consist of the FSRU supplied by Höegh LNG, and a jetty and a pipeline connecting the terminal to the grid - both supplied by Klaipedos Nafta. Höegh LNG has entered into a 10-year charter for the FSRU, and operations are expected to commence in the autumn of 2014.

In 2012, Höegh LNG was selected as the preferred bidder for the supply of an FSRU for a new LNG import terminal under development by Colbún S.A. and AES Gener S.A. The FSRU will be located in Quintero Bay, close to Santiago in Chile and connected to the existing gas grid to supply natural gas to existing power plants. The lease agreement is for 10 years with an extension option for another five years, and is subject to final documentation and approvals in Chile for building the jetty infrastucture. Colbún and AES Gener are the second and third largest electric power generators in Chile, with a combined market share of 39 percent and a combined annual generation of almost 20 TWh.

Höegh LNG is offering the fourth new FSRU to other LNG import projects.

FLEET AND OPERATIONS

With four decades of proven experience in LNG transportation, Höegh LNG is recognised as a pioneer and quality provider of floating LNG services. The Company's fleet consists of two FSRUs and six LNG carriers. Höegh LNG's core business is based on long-term contracts with first class international energy companies.

Höegh LNG operates a fleet of advanced vessels in an industry subject to increasingly strict maritime regulations. Unlike many owners in the shipping industry who outsource crewing and the technical management of their vessels, Höegh LNG operates its own fleet management and vessel operation services. By managing these services in-house, Höegh LNG can ensure quality on-board operations and excellent safety and environmental performance in full compliance with global and regional regulations. And with 40 years of safe operations in the LNG transportation business, Höegh LNG has developed a pool of highly skilled and experienced seafarers who have made significant contributions to the design and operational capabilities of Höegh LNG's growing fleet.

FLOATING PRODUCTION

Over the past decade, a number of oil and gas companies and independent service providers have committed substantial capital to develop new floating liquefaction (FLNG) designs. While land-based lique-faction plants require a large gas reserve in order to be economically attractive, FLNG solutions represent a cost-effective alternative for developing smaller gas fields.

Höegh LNG has invested about 400,000 engineering man-hours in the development of its own FLNG solution. In 2012, Höegh LNG completed engineering studies for the use of FLNGs for gas fields offshore Australia and Israel. The studies showed that the projects are feasible, both technically and financially.

In 2012, Höegh LNG established a wholly-owned subsidiary, Höegh FLNG Ltd., containing all relevant assets and personnel from the FLNG business area. The subsidiary is structured and will be financed separately from the Company's other businesses. Höegh LNG is currently in the process of raising external equity to fund the continued development of this business area.


HÖEGH LNG FSRU
HÖEGH FSRU

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 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. His practice area includes 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 citizen 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 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 was with Royal Dutch Shell group from 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.

DIRECTORS' REPORT

Höegh LNG continued its expansion within floating regasification in 2012 by signing two long-term time charter agreements and ordering two new floating storage and regasification units ("FSRUs"). The Company was also selected as the preferred bidder for a new FSRU to be located in Chile. To finance its expansion, a gross amount of USD 588.9 million was raised in new equity and debt.

The Group's operations and fleet

Höegh LNG Holdings Ltd. (the "Company") and its subsidiaries and joint ventures ("Höegh LNG" or the "Group") provide floating LNG infrastructure services. The Group provides regasification, transportation and production services mainly under long-term contracts to international energy majors and domestic utilities. The Company's registered office is in Hamilton, Bermuda. The Group also has an established presence in Oslo (Norway), London (UK), Florida (USA) and Singapore, and a site team in South Korea. Management of the Group is performed by Höegh LNG AS in Oslo, Norway.

Höegh LNG operates a fleet of six LNG carriers and two floating storage and regasification units. Six of the vessels are partly or wholly owned or leased by the Group, while two are operated on behalf of third parties. Four of the vessels owned or leased by the Group are on long-term time charters to Statoil, Total and GDF Suez, while one is on a short-term time charter with extension option to Gas Natural. Höegh LNG has four new FSRUs on order at Hyundai Heavy Industries in South Korea, and holds an option for a fifth at agreed terms. In 2012, the Group also exercised an option to purchase 50 percent of the LNG carrier STX Frontier, currently operated by the Group with delivery in 2013.

Höegh LNG's vision is to become a market leader within floating LNG services. The Group's strategy in achieving this goal is to offer the complete chain of floating LNG services, including floating regasification, transportation and production. The Group has over the past ten years invested in fleet expansion and project development across all segments. Going forward, Höegh LNG will prioritise capital allocation for expansion within floating regasification. Floating LNG import terminals are increasingly the preferred solution for countries developing LNG infrastructure, as this is less capital intensive, quicker to build and a more flexible solution compared to land-based import terminals. The long-term ownership of the floating production business will most likely be structured and financed separately from Höegh LNG's other businesses. Höegh FLNG Ltd. has been incorporated as a stand-alone company comprising the floating production activity and work is in progress of securing investor(s)/partner(s) to fund the further development of this business together with Höegh LNG. The Group has invested 400,000 man hours in developing an FLNG design suited to cover a large range of gas compositions and operating conditions.

Review of 2012

Demand for floating LNG services remained strong through 2012 and is expected to continue increasing. This demand is driven by demand for natural gas to power generation, a shift in feedstock for power generation from oil, coal and nuclear to natural gas, and availability of natural gas and LNG. New LNG production capacity of almost 140 million tonnes per annum is expected to come on stream in the five-year period 2013-2017.[1] This represents a large growth compared to the global production of 237 million tonnes of LNG in 2012.

Höegh LNG ordered two new FSRUs at Hyundai Heavy Industries in South Korea during 2012, bringing the total number of new FSRUs on order up to four. The Group took delivery of the LNG carrier LNG Libra during the second half of the year. The vessel was acquired as a conversion candidate for FSRU projects, and has since delivery been employed on a six month time charter. In 2012, Höegh LNG also exercised an option to acquire 50 percent of the LNG carrier STX Frontier with delivery in 2013.

The Company raised net proceeds of USD 201.9 million from an equity share issue, and USD 128.2 million from a bond issue during the year. Proceeds from these transactions will be used to fund the equity portion of the Group's capital expenditure commitments relating to its expansion within floating regasification and the acquisition of STX Frontier. In 2012, the Group also secured a USD 250 million senior secured credit facility for the long-term debt financing of the FSRU to be located in Lithuania. The first drawdown under the facility was made in January 2013.

In 2012, the Group entered into a 20-year time charter agreement with PT Perusahaan Gas Negara ("PGN") for an FSRU to be employed as a floating LNG import terminal in Lampung off South Sumatra in Indonesia. The Group is also delivering the associated mooring, which will be sold to PGN upon commencement of operations. The Group further entered into a 10-year time charter agreement with Klaipedos Nafta for an FSRU to be employed as an LNG import terminal in Lithuania. Finally, Höegh LNG was selected as the preferred bidder by Colbún and AES Gener for a 10-year time charter agreement for an FSRU to be employed as an LNG import terminal in Chile. The agreements for this project are currently being negotiated. The Indonesian, Lithuanian and Chilean projects are intended to employ the three first FSRUs currently under construction at Hyundai Heavy Industries.

The Group completed engineering studies for the potential use of its generic FLNG design for gas fields offshore Israel and Australia.

The existing fleet of LNG carriers and regasification vessels continued to operate satisfactorily throughout the year.

Subsequent events

No subsequent events have occurred that would require disclosure in this Directors' report.

Financial review

Consolidated figures

Income statement

Total consolidated income for 2012 was USD 135.6 million, up from USD 109.8 million in 2011. The increase in income is mainly due to LNG Libra commencing her charter party in July and revenue from engineering work relating to floating LNG production.

Operating profit before depreciation was USD 47.0 million (26.1). The increase is due to a positive net

[1] Source: Fearnley LNG

contribution from LNG Libra, the change from a defined benefit to a defined contribution pension scheme for the Norwegian shore employees and lower bonus provisions in 2012. Consolidated operating profit was USD 34.7 million (6.5). The increase is due to the above mentioned reasons along with the gain on sale of the Port Meridian project offset by depreciation of LNG Libra.

Net financial expenses were USD 25.6 million (24.4), impacted by increased interest costs due to the bonds, offset by increased gains on marketable securities. The profit for the period was USD 8.9 million (-17.7). The net loss on hedging reserves was USD 1.3 million (48.7) due to mark-to-market valuation of the Group's interest rate hedging instruments, resulting in a consolidated total comprehensive profit of USD 7.6 million (-66.4).

Business segments

The Group's reporting structure changed from 1 January 2012 to reflect its organisation and management responsibilities. The new structure is in accordance with the Group's internal financial reporting, and is now divided into the following four segments:

The **fleet and operation** segment, which is responsible for the employment and operation of all the Group's vessels, recorded total income of USD 123.7 million (109.4) and operating profit before depreciation of USD 62.1 million (50.1). The increase in operating profit is mainly due to the delivery of LNG Libra in July 2012.

The **regasification** segment is responsible for the marketing, sales and construction of FSRUs to be used as floating LNG import terminals. These will be handed over to the fleet and operation segment upon commencement of operations. The segment did not have any income in 2012 and 2011. The operating loss before depreciation was USD 8.2 million (7.3). The increased loss was mainly due to high tender activity in combination with project execution for the new contracts.

The **floating production** segment is responsible for marketing, building and operating FLNGs, and recorded a total income of USD 11.7 million (0.4). The increased income and the corresponding increase in business development expenses were due to engineering studies for the potential use of FLNGs on two offshore gas fields. The operating loss before depreciation was USD 6.0 million (6.1).

The **general** segment consists of Group management, finance and corporate services, and project services. The figures contain administrative expenses, which are managed on a Group basis and have not been allocated to other segments. The segment had a total income of USD 0.2 million (0.0) and an operating loss before depreciation of USD 0.9 million (10.6). The reduced loss is due to the change from a defined benefit to a defined contribution pension scheme causing a one-off income of USD 5.7 million, along with internal allocation of directly attributable employee costs by USD 4.5 million, mainly to the regasification segment.

Financial position

The Group's total assets as of 31 December 2012 were USD 1 072.1 million (744.6). The increase is mainly due to investments in vessels, new-buildings and contracts by USD 215.5 million (53.9), a USD 96.1 million (7.8) increase in cash and cash equivalents, and increased investments in marketable securities/interest bearing receivables which stood at USD 113.9 million at year-end 2012 (90.1). Total liabilities and equity increased during the year due to the share and bond issues.

Book equity at the end of 2012 was USD 343.9 million (133.3). The increase is mainly due to proceeds from the share issue in February 2012. The equity ratio, net of interest rate swaps, at the end of 2012 was 44 percent, up from 36 percent at the end of 2011. The equity ratio is deemed sufficient given the nature of the Group's business and its existing commitments.

Financing

The Group's interest bearing debt was USD 559.3 million (439.1) at year-end 2012. The increase is mainly due to the NOK 750 million (USD 130 million) bond issue, offset by ordinary debt repayments made in 2012. The interest on the bonds has been swapped to a fixed all-in USD rate of 7.3 percent.

In 2012, the Group entered into a USD 250 million corporate facility agreement for the financing of the FSRU to be delivered for the Klaipedos Nafta FSRU project in Lithuania. The facility has a tenor of seven years and an overall profile of 16 years. The interest rate has been swapped from floating to a fixed all-in rate of 5.1 percent for the length of the underlying commercial agreement. As of year-end 2012, the facility was undrawn.

The Group has entered into a USD 288 million debt facilities agreement providing up to 50 percent financing of the FSRUs allocated to the Indonesian and Chilean

projects. The facilities have a tenor of three years post-delivery. As of year-end 2012 the facilities were undrawn. The intention is not to draw under the facilities, as they are meant as a back-up financing should long-term debt financing of the respective FSRUs not be secured as planned. The Group is currently in the process of securing long-term bank debt financing for the FSRUs to be delivered for the respective projects.

Cash flow

Cash flow from operating activities was USD 32.0 million (24.5), mainly reflecting the positive contribution from LNG Libra. Cash flow from investing activities came to a negative USD 225.1 million (102.2), driven by investments in vessels and net investments in marketable securities. Cash flow from financing activities was USD 289.2 million (85.5) including USD 209 million of gross share issue proceeds and USD 130 million from a bond issue, offset by ordinary repayment and interest on borrowings, and other financing and transaction costs. The Group's total cash flow in 2012 from operating, investing and financing activities was USD 96.1 million (7.8).

The Group's unrestricted cash and cash equivalents as of year-end 2012 were USD 132.7 million (36.6). In addition, the Group held USD 113.9 million (90.1) in marketable securities.

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 13.3 million (7.4), which will be transferred to retained earnings. Total comprehensive income was USD 10.5 million (7.4). The result is primarily driven by interest income on the continuing lending to the wholly owned subsidiary Höegh LNG Ltd. Total assets as of year-end 2012 were USD 714.9 million (366.2). The increase is primarily due to the share and bond issues. The equity ratio for the parent company was 81 percent at year-end 2012 (100 percent). Net cash flow in the parent company was USD 70.5 million (10.1). Of the USD 330.1 million in net proceeds from share and bond issues, USD 234.8 million has been lent to wholly owned subsidiaries, USD 70.5 million is held in cash or cash equivalents and a net amount of USD 21.6 million has been invested in marketable securities.

Risk and risk management

Risk management

Höegh LNG uses risk management tools relating to both existing and new businesses based on ISO 31000. The Group holds the following certificates for the management of quality, environment, safety and

occupational health:

- International Safety Management
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System.

Market risk

Two of the four FSRUs currently on order have employment secured, one is allocated to a project where Höegh LNG is the preferred bidder, and one is open and exposed to variations in the demand for FSRU services. Floating LNG import terminals are increasingly the preferred solution for countries developing LNG infrastructure, as this is less capital intensive, quicker to build and a more flexible solution compared to land-based import terminals. Most of the demand for floating LNG import terminals is from countries experiencing economic growth, notably in Asia and South America. There are currently more than 30 potential FSRU projects worldwide and Höegh LNG is participating in several on-going tender processes.

Most of the Group's vessels are on long-term contracts with solid counterparties and not exposed to short-term variations in the demand for floating LNG services. The LNG carrier LNG Libra, which was delivered in July 2012, was upon delivery chartered out on a six month time charter that ended in January 2013, and is currently available for new charters. The current charter party for the LNG carrier Norman Lady expires in September 2013. The charterer has the option to extend the charter for two more years. If this option is not exercised, the vessel will be available for new charters. LNG Libra and potentially Norman Lady are therefore exposed to cyclical variations in the demand for LNG shipping services.

Höegh LNG is currently seeking to obtain a long-term agreement to provide LNG import capacity in its proposed terminal in Florida. In the event that the Group should fail to reach such an agreement, there is a risk that the associated intangible asset may be impaired.

The Group is also seeking to obtain a long-term agreement to provide floating liquefaction services using its FLNG solutions. In the event that the Group 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

The Group 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 affect the results of operations and expose the Group to adverse economic consequences.

Financial risk

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

Risk management routines are in place 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 risk positions. When the use of derivatives is deemed appropriate, only well-understood, conventional instruments issued by highly rated financial institutions are used.

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

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 the Group'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.

Liquidity risk is the risk that the Group will be unable to fulfil its financial obligations when they fall due. Existing financial obligations on the balance sheet totalling USD 584 million will be repaid through the cash flow generated from existing, and in the case of the bond, new assets within the Group. All existing vessels subject to debt financing are on long-term charter contracts with creditworthy counterparties. Remaining payment obligations relating to existing expansion commitments as at 31 December 2012, total approximately USD 1.2 billion. This comprises the four FSRUs on order, the Lampung mooring, the acquisition of 50 percent of STX Frontier, and includes yard payments, project expenses and finance costs. The Group had USD 132.7 million in cash and USD 113.9 million in marketable securities as of year-end 2012, in addition to the undrawn USD 288 million and USD 250 million FSRU debt facilities. The plan is to raise in excess of USD 800 million of new debt to fund remaining capital expenditures and replace the USD 288 million bridge facilities.

Project specific financing for the FSRU for Lithuania is in place, the process of raising long-term debt financing for the Indonesia project is in progress, and the process of raising long-term debt financing for the Chilean project has commenced. The process of raising long-term financing for the fourth FSRU will start when employment is secured. It is expected that about 75 percent of delivered cost of the respective FSRU projects will be funded by long-term debt financing.

Credit risk is the risk that a counterparty 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 strives for economic growth, environmental improvements and social responsibility. 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 the ISO 14001 certification of its environmental management system.

While vessels use fossil fuels and thereby produce emissions, maritime transport in many situations has less of an impact on the environment than other modes of transportation. The Group's vessels are furthermore largely powered by natural gas, which have 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 industry, power producers and residential consumers to switch from using heavier fossil fuels to using natural gas, Höegh LNG is indirectly contributing to more environmentally friendly fuel use in different parts of the world.

Personnel matters

The Group had 82 office employees and 350 seagoing personnel at the end of 2012. The 24 month accumulated retention rate as at year-end 2012 was 93 percent for officers and 95 percent for ratings. Average sickness absence among employees in wholly-owned subsidiaries located at the head office was 1.7 percent in 2012 (2.6 percent). No injuries were reported on land-based employees during the year. In 2012, there were two Lost Time Injuries (LTI) for vessels owned or operated by Höegh LNG, resulting in a Lost Time Injury Frequency (LTIF) of 0.99 for the whole year. 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 percent of the 68 Group employees in Norway at 31 December 2012. The percentage remained unchanged from the previous year, while the number of employees was up from 63. None of the directors on the board of Höegh LNG is 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 2012, there were 1,105 shareholders of Höegh LNG Holdings Ltd. Non-Bermudan investors owned 100 percent of the shares. Leif Höegh & Co. Limited was the largest shareholder with 44.4 percent of the shares. 1.7 percent of the shares were owned by Methane Ventures Limited, which is owned 45.6 percent by key management of the Group, with the remainder of its shares being held by the Company. During the year, the Company issued a total of 22,876,349 new shares.

Höegh LNG's shares are freely transferable. However, the board may decline to register any transfer if such transfer would result in 50 percent 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 250 million facility for the Klaipedos Nafta project, 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 the Leif Höegh & Co Ltd. group of companies ceasing to own (directly or indirectly) at least 1/3 of the shares in the Company. The USD 250 million facility for the Klaipedos Nafta project and the USD 288 million bank facilities agreement also contain a provision requiring the Høegh family and/or the Leif Höegh & Co Ltd. group of companies to be the major shareholder of the Company. In the NOK 750 million bond agreement, the bondholders have a put option in case of the aforementioned change of control events.

The Company has not paid any dividends since its incorporation in 2006, and is unlikely to pay dividends before 2015 due to its expansion strategy and the terms of the bond agreement. Höegh LNG's objective is to start paying dividends from 2015, in order to maximise shareholder return as well as to make the Höegh LNG share an attractive investment.

Corporate governance

The Company has adopted and implemented a corporate governance regime that, in all material respects, complies with the Norwegian Code of Practice for Corporate Governance Code and the Oslo Stock Exchange's 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, if applicable.

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 demand for natural gas to fuel 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 Heavy Industries are delivered and commence operation, the operating result and cash flow of the Group is expected to improve considerably from 2014 and onwards.

Höegh LNG has started to explore the formation of a Master Limited Partnership.

HAMILTON/STOCKHOLM, 20 MARCH 2013

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

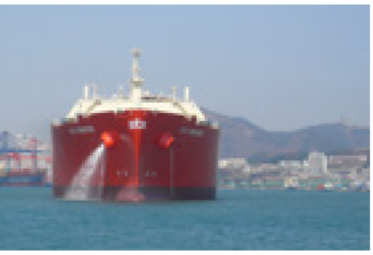
Guy D. Lafferty

Jon Erik Reinhardsen

Ditlev Wedell-Wedellsborg

Sveinung J.S. Støhle
President


삼성중공업
SAMSUNG
HEAVY INDUSTRIES




HÖEGH

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. FOR THE YEAR ENDED 31 DECEMBER 2012

Consolidated statement of comprehensive income for the year ended 31 December 2012

USD'000	Notes	2012	2011
Freight revenues	4	119 873	105 133
Voyage expenses		(940)	(130)
Income on T/C basis		**118 933**	**105 003**
Management and other income	4	16 672	4 777
Total income	5	**135 605**	**109 780**
Charterhire expenses	6	(20 713)	(20 130)
Operating expenses	7	(33 106)	(32 433)
Administrative expenses	8,16	(8 327)	(16 982)
Business development expenses	9,16	(26 472)	(14 160)
Operating profit before depreciation		**46 987**	**26 074**
Gain/(loss) on sale of assets	19	10 405	(80)
Depreciation	21	(22 733)	(18 150)
Impairment	20	-	(1 363)
Operating profit		**34 659**	**6 482**
Interest income	10	93	669
Interest expenses	11	(26 770)	(25 200)
Income from other financial items	12	2 255	777
Expenses from other financial items	13	(1 157)	(611)
Net financial items		**(25 579)**	**(24 366)**
Ordinary profit or loss before tax		**9 079**	**(17 884)**
Tax	14	(181)	201
Profit (loss) for the year		**8 898**	**(17 683)**
Other comprehensive income:			
Reclassified over profit or loss		19 740	21 164
Net gain (loss) on hedging reserves		(21 049)	(69 875)
Other comprehensive income/(loss) for the year net of tax	14,26	(1 309)	(48 711)
Total comprehensive income/(loss) for the year		**7 590**	**(66 393)**
Profit /(loss) of the year attributable to (from):			
Equity holders of the parent	15	8 898	(17 597)
Non-controlling interests		-	(86)
Total		**8 898**	**(17 683)**
Total comprehensive income attributable to (from):			
Equity holders of the parent		7 590	(66 259)
Non-controlling interests		-	(134)
Total		**7 590**	**(66 393)**
Earnings per share attributable to ordinary equity holders of Höegh LNG Holdings Ltd (basic and diluted):	15	0,13	(0,48)

The notes on pages 39 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2012

USD'000	Notes	2012	2011
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	14	789	740
Licenses, design and other intangibles	20	73 237	81 955
Tangible assets			
Vessels	21	483 683	449 754
Deposit for vessel acquisition		-	5 300
New buildings	22	225 716	52 133
Equipment	21	2 901	2 304
Non-current financial assets	17	1 649	107
Other non-current assets	23	8 727	8 116
Restricted cash	28	23 253	12 552
Total non-current assets		**819 955**	**612 961**
Current assets			
Inventories		84	131
Trade and other receivables	24	5 528	4 850
Marketable securities	25	113 877	90 098
Cash and cash equivalents	27	132 682	36 614
Total current assets		**252 171**	**131 694**
TOTAL ASSETS		**1 072 126**	**744 655**

Consolidated statement of financial position as at 31 December 2012

USD'000	Notes	2012	2011
EQUITY AND LIABILITES			
Equity			
Issued capital	29	699	470
Share premium reserve		344 198	142 487
Treasury shares	29	(12)	(12)
Hedging reserves	17,26	(132 958)	(131 649)
Other paid in capital		(7 815)	(8 849)
Retained earnings		139 738	130 840
Equity attributable to equity holders of the parent		**343 850**	**133 287**
Total equity		**343 850**	**133 287**
Non-current liabilities			
Pension liabilities	31	857	7 986
Long-term interest bearing debt	30	538 680	426 269
Other non-current financial liabilities	18,26	110 648	113 606
Other long-term debt	32	10 799	9 666
Total non-current liabilities		**660 984**	**557 527**
Current liabilities			
Short-term interest bearing debt	30	20 653	12 872
Trade and other payables	33	11 940	6 646
Income tax payable	14	112	498
Other current financial liabilities	35	26 606	24 484
Provisions and accruals	34	7 981	9 340
Total current liabilities		**67 292**	**53 841**
TOTAL EQUITY AND LIABILITIES		**1 072 126**	**744 655**

HAMILTON/STOCKHOLM, 20 MARCH 2013

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 2012

USD'000	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	Non-controlling interest (Note 36)	Total equity
	Attributable to the owners of the parent								
As at 1 January 2011	**271**	**3 560**	**(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 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)	238
Issue of share capital (17 June 2011)	12	12 687	-	-	-	-	12 699	-	12 699
Shares' swap (17 June 2011)	-	-	(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)**	**609**	**218**
Issue of share capital (30 June 2011)	171	119 819	-	-	-	-	119 990	-	119 990
Issue of share capital (9 August 2011)	17	11 805	-	-	-	-	11 822	-	11 822
Transaction costs	-	(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**
Balance at 1 January 2012	470	142 487	(12)	(131 649)	(8 849)	130 840	133 287	-	133 287
Profit (loss) for the year	-	-	-	-	-	8 898	8 898	-	8 898
Other comprehensive income for the year	-	-	-	(1 309)	-	-	(1 309)	-	(1 309)
Total comperehensive income for the year	**-**	**-**	**-**	**(1 309)**	**-**	**8 898**	**7 590**	**-**	**7 590**
Issue of share capital 3 February 2012 (Note 29)	226	206 367	-	-	-	-	206 594	-	206 594
Issue of share capital 22 March 2012 (Note 29)	2	2 071	-	-	-	-	2 074	-	2 074
Transaction costs (Note 8, 14)	-	(6 788)	-	-	-	-	(6 788)	-	(6 788)
Issue of share capital 30 August 2012 (Note 29)	-	60	-	-	-	-	60	-	60
Share-based payments (Note 16)	-	-	-	-	1 034	-	1 034	-	1 034
Total transactions with owners of the company, recognized directly in equity	**229**	**201 711**	**-**	**-**	**1 034**	**-**	**202 973**	**-**	**202 973**
At 31 December 2012	**699**	**344 198**	**(12)**	**(132 958)**	**(7 815)**	**139 738**	**343 849**	**-**	**343 850**

The notes on pages 39 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2012

USD'000	Notes	2012	2011
Operating activities			
Profit /(loss) before tax	14	9 079	(17 884)
Non-cash adjustment to reconcile profit before tax to net operational cash flows			
Loss/ (gain) sale of assets	19	(10 405)	80
Depreciation vessels, drydocking and equipment	21	22 733	18 150
Impairment	19	-	1 363
Fair value adjustments on marketable securities	25	(2 178)	98
Interest income	25	(93)	(669)
Interest cost	10	26 770	25 200
Discrepancy betw een paid and expensed pension cost		(7 130)	-
Share-based payment cost and BoD remuneration		1 094	-
Working capital adjustments			
Change in inventories, receivables and payables		(7 374)	(1 303)
Interest received		64	69
Income tax paid		(553)	(597)
Net cash flows from operating activities		**32 008**	**24 507**
Investing activites			
Proceeds from sale of marketable securities	25	183 400	-
Investments in marketable securities	25	(205 000)	(90 000)
Proceeds from settlement of interest bearing receivables		-	51 295
Interest received on interest bearing receivables			651
Investments in vessels, new buildings, contracts and mooring	22	(215 520)	(53 867)
Vessel acquisition deposit		(5 300)	(5 300)
Investments in intangibles		(620)	(3 412)
Proceeds from sale of equipment and intangibles	19	20 090	83
Investment in equipment		(2 190)	(1 616)
Net cash flows used in investing activities		**(225 140)**	**(102 166)**
Financing activites			
Proceeds from borrow ings	30	130 265	-
Repayment of borrow ings		(12 872)	(12 131)
Interest paid		(24 181)	(25 201)
Issue of share capital	26,29	208 667	131 813
Transaction costs of issue of shares	8,29	(6 728)	(5 385)
Change in non-controlling interest		-	192
Payment of finance cost		(5 951)	(3 794)
Net cash flows from financing activities		**289 200**	**85 494**
Net increase in cash and cash equivalents		**96 068**	**7 835**
Current cash, cash equivalents at 1 January		36 614	28 779
Current cash and cash equivalents at 31 December	**27**	**132 682**	**36 614**
Guarantees (interest rate sw aps Arctic leases)	26,37	44 054	44 993
Undraw n facility	30	538 000	288 000
Aggregate amount of cash flow s from joint ventures	3	261	(4 211)

The notes on pages 39 to 83 are an integral part of these consolidated financial statements.

Note 1 Corporate information

Höegh LNG Holdings Ltd. (the "Company") is an exempted company incorporated with limited liability under the laws of Bermuda. The Company was listed on Oslo Børs (the Oslo Stock Exchange) on 5 July 2011. The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements comprise the Company and its subsidiaries and joint ventures (together referred to as "Höegh LNG" or the "Group").

Höegh LNG operates a fleet of six LNG transportation vessels and two floating storage and regasification units (FSRUs). In addition, Höegh LNG has four new FSRUs on order and has developed a solution for floating LNG production (FLNG).

Höegh LNG's strategy is to offer the complete chain of floating LNG services, from production, 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.

The management of the Group is performed by Höegh LNG AS, Oslo, Norway. In addition, the Group has an established presence in London (UK), Florida (USA) and Singapore. The Group had 82 office employees and 350 seagoing personnel as of 31 December 2012.

The consolidated financial statements of the Group for the year ended 31 December 2012 were approved by the Board on 20 March 2013.

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 issued by the International Accounting Standards Board (IASB) and 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 Income Statements are presented by showing expenses by their function, as this is the most relevant and reliable presentation for the Group. Disclosures by nature are provided in the notes to the financial statements.

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

B) Foreign currencies

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 the transaction first qualifies for recognition. 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.

Non-monetary items measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

C) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries and joint ventures as at 31 December 2012.

Subsidiaries

Subsidiaries are all entities in which the Company has a controlling interest. A controlling interest is normally attained when the Company owns, either directly or indirectly, more than 50 percent of the shares in the entity or through agreements are capable of exercising control over the subsidiary. 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Joint ventures

The Group has interests in joint ventures that are jointly controlled companies, whereby the joint venture partners 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 out, in which substantially all of the risks and rewards of the ownership of the underlying vessel are retained by the Group, are 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 from leases during periods when the underlying vessel is off-hire. The Group has no financial lease revenue.

Management income

The Group receives management income from external owners relating to technical, commercial and administrative services performed by entities within the Group. This revenue is recognised in the period in which the service is provided

Other income

The Group receives income from provision of engineering services and studies on behalf of third parties. Such revenue is recognised in the period in which the service is provided.

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. Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made. When the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

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

Initial recognition and *measurement*

The Group has financial instruments within the scope of IAS 39 that have been classified in the following categories: Financial assets at fair value with changes in value through profit or loss, loans and receivables and other liabilities. Financial assets at fair value with changes in value through profit or loss are designated at their initial recognition date and include derivative financial instruments and financial assets held for trading.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

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 cost 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 the estimated useful life of a vessel taking its residual value into consideration. The useful life of vessels was until 31 December 2011 estimated at 30 years. Based on revised expectations, the useful life estimate has with effect from January 2012 been increased to 35 years.

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

Costs 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, are added to the cost of the vessels, until such time as the vessels are ready for their intended use.

Equipment

Investments in office equipment and IT are depreciated over a 3-5 year period based on a straight-line basis.

Finance leases – the Group as lessee

Leases that transfer substantially all the risks and benefits incidental to the ownership of the underlying asset to Höegh LNG are recognised as finance leases. Leases are classified as financial leases if 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. 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* as assets and liabilities in the financial statements. When a finance lease is recorded for the first time, the asset is measured at the lower of the fair value and the 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 sheet as a finance lease liability.

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

Operational leases – the Group as lessee

The Group has no significant operational lease agreements whereby it is the lessee other than company cars and office machinery leases. 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 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 of 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 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. The CGU for the Höegh LNG vessels is 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 expenses. Fair value is determined by observable market data.

Q) Pensions

Norway – Defined benefit (DB) and defined contribution (DC) scheme

The Group has a defined benefit plan for certain employees in the top Management and for all employees in Norway until 30 November 2012. 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 defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method aligned with the projected assumptions defined by Norwegian Accounting Standard (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 maturity terms approximating to the terms of the related pension liability.

The defined benefit plan described above, valid for the employees in Norway, was discontinued on 1 December 2012 and replaced by defined contribution plans. Defined contributions are made to the pension plan for full-time employees and equal 5-8 percent of the employee's salary. The pension premiums are charged to expenses as they are incurred. A defined contribution plan is a pension plan under which the Group pays contributions to an insurance company, investment house or state organized fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and former periods.

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 incur. 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.

R) Share-based payments

Certain members of the Management of the Group receives remuneration in the form of share-based payments, whereby Management render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional, upon a market or non-vesting condition.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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 and amended standards and interpretations adopted by the Group

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that is expected to have material impact on the Group.

V) Standards issued but not yet effective

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 2013, but have not been early adopted by the Group.

IFRS 13 - Fair Value Measurement

The standard establishes guidance to valuation techniques and inputs used to measure fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. IFRS13 does not change when an entity is required to use fair value, but provides guidance to measure fair value under IFRS when fair value is required or permitted. The standard becomes effective on or after 1 January 2013.

IFRS 10 – Consolidated Financial Statements

IFRS 10 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. The changes introduced by IFRS 10 will require Management to exercise significant judgement 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. In the standard an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. For example, whereas IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation, whereby the Group's share of assets, liabilities, income and expenses of joint ventures was combined on a line-by line basis with similar items in the Group's financial statements. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The share of the profits in joint ventures will then be presented as a separate line in the Income Statement and the investment in JV recorded by one line in the Financial Position. The accounting change will have a material effect on the presentation of the income statement and the financial position. However there will be no change in the net profit or in the equity of the Group.

The Group will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interest in other entities including interests in subsidiaries, joint arrangements, associates and structured entities and other off balance sheet vehicles. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. The new disclosures will assist users of the financial statements to make their own assessment of the financial impact in cases were management were to reach a different conclusion regarding consolidation, by providing more information about unconsolidated entities. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures

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 requires financial *assets* to be classified into two measurement categories, fair value measurements and amortized cost recognition. For financial *liabilities,* the standard retains most of IAS 39 requirements. The standard is not applicable until 1 January 2015.

There are no other IFRSs or IFRIC interpretations that are not yet effective that is 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:

- Vessels: (Useful life and residual values in depreciation profile)
- Intangible assets: (Assumptions behind the value in use model)
- Lease agreements: (Operational versus financial lease)

Depreciation of vessels

Depreciation of vessels is based on the expected useful life for vessels. This is to some extent influenced by future market conditions and future scrap prices. The future scrap prices are dependent on the steel prices and are annually reassessed. In case of significant changes in estimated useful lifetimes, depreciation is adjusted prospectively. The Management's expectations to vessels' life utility to the Group have been 30 years until 31 December 2011. The vessels' useful life was until 31 December 2011 estimated at 30 years. Based on revised expectations, the useful life estimate has with effect from January 2012 been increased to 35 years. The effect is USD 2.4 million in lower depreciation per year.

Impairment of intangible assets

Höegh LNG reviews periodically whether cash-generating units containing intangible assets have indications of 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 records operating leases* out, when the Group is defined 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

The Group has ownership in six joint ventures (see Note 38). Below table sets out condensed amounts of the Group's shares in joint ventures in the statements of comprehensive income, financial position and cash flows for the year ended 2012 and 2011, respectively.

Total Joint Ventures	**2012**	**2011**
Income on T/C basis	48 138	46 960
Operating and adm. expenses	(11 979)	(12 395)
Depreciation	(13 730)	(16 443)
Net financial income/expenses	(24 218)	(25 101)
Profit /(loss) before tax	**(1 789)**	**(6 863)**
Other comprehensive income	**1 538**	**(48 711)**
		-
Non-current assets	446 965	451 148
Current assets	14 584	11 843
Non-current liabilities	(527 338)	(560 713)
Current liabilities	(41 755)	(19 153)
Equity	**(107 543)**	**(115 696)**
Cash flow s from operation	52 552	47 600
Cash flow s used in investing activities	(1 812)	(1 306)
Cash flow s from financing activities	(50 479)	(50 505)
Net increase/(decrease)	**261**	**(4 211)**

See Note 37 for information of guarantees to obligations recorded in joint ventures.

Note 4 Revenue

Höegh LNG is a fully integrated provider of floating LNG services operating and managing two FSRUs and six LNG carriers of which one is fully owned, five are partly owned and two are on long term financial leases. In addition the Group has two car carriers in operation. The partly owned vessels are owned/leased through joint ventures, in which Höegh LNG has 33 percent, 33.98 percent and 50 percent ownership.

Freight revenue was USD 119.9 million and USD 105.0 million for the financial year of 2012 and 2011, respectively.

Arctic Princess and Arctic Lady are on time charter from Leif Höegh (U.K.) Limited, a wholly owned subsidiary of Höegh LNG, to Statoil and Total, respectively, and the charter income is recorded on a 100 percent basis freight revenue. The bare boat hire paid by Leif Höegh (U.K.) Limited to the respective joint ventures is consolidated to present Höegh LNG's share in the joint ventures, and external ownership share is presented as charter hire expenses (see Note 6).

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

Following the delivery of LNG Libra to Höegh LNG the vessel was chartered out to North West Shelf project in Australia under a six month charter commencing 17 July 12. After a successful charter the vessel was re-delivered to Höegh LNG 10 January 2013. The vessel then began a voyage charter for NYK Line with re-delivery 26 January 2013. Höegh LNG is considering various options for the use of the vessel, i.e. enter into a new charter agreement or sale. The below table specifies the expected time charter hire to be received from 1 January 2013 to the end of the firm charter party for all the Group's vessels (excluding the RoRo vessels):

Expected future T/C income	< 1 year	1 to 5 years	> 5 years	Total
Total	**101 098**	**370 675**	**1 013 506**	**1 485 279**

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

Management and other income	**2012**	**2011**
Engineering studies (FLNG) *	11 730	-
Commercial Management fee	1 362	575
Technical Management fee	2 570	2 282
Success fees	367	556
Other income	643	1 364
Total	**16 672**	**4 777**

** Income from FLNG engineering studies*

In December 2011, the Group entered into an agreement with Daewoo Shipbuilding & Marine Engineering Co. ("DSME") to initiate a project specific front-end engineering design (FEED) of an FLNG solution for the Tamar gas field offshore Israel. The pre-FEED study was completed in August 2012 and the field operator, Noble Energy, has now concluded that FLNG is a viable solution for gas export from the Tamar field.

In April 2012, the Group entered into an agreement with an undisclosed Asian client to execute a pre-FEED study for an FLNG for one of their gas fields. This study has been completed.

Note 5 Segment reporting

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

- Fleet and operation
- Regasification
- Floating Production; and
- General

The fleet and operation segment is responsible for the employment and operation of all the Group's vessels. The segment records income on a T/C (time charter) basis, management income, charter hire expenses and operating expenses. The capitalised costs recorded in the segment relate to investments in the development of a containment system for compressed natural gas.

The regasification segment is responsible for the marketing, sales and construction of floating storage and regasification units (FSRUs) to be used as floating LNG import terminals. The FSRUs will be handed over to the fleet and operation segment upon commencement of operations. The regasification segment contains income, expenses and capitalised costs relating to the Group's development of FSRUs. The capitalized costs recorded in the segment relate to investments in newbuildings on order and in licences and permits obtained for the Group's deep water port in the USA.

The floating production segment is responsible for marketing, building and operating FLNGs. The floating production segment contains income, expenses and capitalised costs relating to the Group's development of a design for floating production of LNG. The capitalised costs recorded in the segment relate to investments in front-end engineering design of an FLNG.

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

Management monitors the operating results of the 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 liabilities are part of the information regularly provided to executive management. The following table presents revenue and profit information regarding the Group's operating segments for the twelve months ended 31 December for 2012 and 2011, respectively.

1 January – 31 December 2012

Statement of income	Total consolidated	Fleet and operation	Regasification	Floating production	General
Freight revenue	119 873	119 873	-	-	-
Voyage expenses	(940)	(940)	-	-	-
Income on T/C basis	**118 933**	**118 933**	**-**	**-**	**-**
Management income	4 677	4 677	-	-	-
Other income	11 997	45	-	11 730	221
TOTAL INCOME	**135 607**	**123 655**	**-**	**11 730**	**221**
Charter hire expenses	(20 713)	(20 713)	-	-	-
Operating expenses	(33 106)	(33 106)	-	-	-
Administrative expenses	(8 327)	(6 962)	-	-	(1 365)
Business development expenses	(26 472)	(730)	(8 249)	(17 744)	251
Operating profit before depreciation	**46 988**	**62 143**	**(8 249)**	**(6 014)**	**(893)**
Gain/(loss) on sale on assets	10 405	24	10 371	10	-
Depreciation vessel/shipyard	(21 183)	(21 183)	-	-	-
Depreciation other assets	(1 550)	(308)	-	(3)	(1 239)
Impairment	-	-	-	-	-
Operating profit	**34 660**	**40 676**	**2 122**	**(6 007)**	**(2 132)**
Interest expenses	(26 778)	(24 187)	-	-	(2 591)
Interest income	93	20	-	-	73
Other financial items	1 104	(189)	(29)	(47)	1 369
Profit before tax	**9 079**	**16 320**	**2 093**	**(6 054)**	**(3 281)**
Tax	(181)	(133)	-	-	(48)
Profit after tax	**8 898**	**16 187**	**2 093**	**(6 054)**	**(3 329)**

1 January – 31 December 2011

Statement of income	Total consolidated	Fleet and operation	Regasification	Floating production	General
Freight revenue	105 133	105 133	-	-	-
Voyage expenses	(129)	(129)	-	-	-
Income on T/C basis	**105 003**	**105 003**	**-**	**-**	**-**
Management income	4 380	4 380	-	-	-
Other income	397	-	-	397	-
TOTAL INCOME	**109 780**	**109 383**	**-**	**397**	**-**
Charter hire expenses	(20 130)	(20 130)	-	-	-
Operating expenses	(32 433)	(32 433)	-	-	-
Administrative expenses	(16 983)	(6 376)	-	-	(10 607)
Business development expenses	(14 160)	(374)	(7 303)	(6 483)	-
Operating profit before depreciation	**26 074**	**50 070**	**(7 303)**	**(6 086)**	**(10 607)**
Gain/(loss) on sale on assets	(80)	(16)	-	-	(64)
Depreciation vessel/shipyard	(17 217)	(17 217)	-	-	-
Depreciation other assets	(933)	(436)	-	-	(497)
Impairment	(1 363)	(1 363)	-	-	-
Operating profit	**6 482**	**31 039**	**(7 303)**	**(6 086)**	**(11 168)**
Interest expenses	(25 200)	(25 200)	-	-	-
Interest income	669	-	-	-	669
Other financial items	166	-	-	-	166
Profit before tax	**(17 884)**	**5 839**	**(7 303)**	**(6 086)**	**(10 333)**
Tax	201	-	-	-	201
Profit after tax	**(17 683)**	**5 839**	**(7 303)**	**(6 086)**	**(10 132)**

The table below sets out selected non-current assets by segments in the Financial Position as at 31 December 2012 and 2011, respectively:

31 December 2012

		Fleet and operation	Regasification	Floating production	General
Intangible assets					
Licenses, design and other intangibles	**73 236**	**1 105**	**35 129**	**37 002**	**-**
Disposals in the period:	**(9 262)**		**(9 262)**		
Tangible assets					
Vessels and new buildings	**709 399**	**483 683**	**225 716**	**-**	**-**
Additions during the year	232 444	54 846	177 598	-	-

The disposal made during 2012 relates to the sale of regasification project Port Meridian (see Note 19). The additions in 2012 of USD 232.4 million relate to investments in four newbuildings on order (USD 177.6 million) and the acquisition of LNG Libra and change order costs on GDF Suez Cape Ann. For commitments in fleet and operation and Regasification, see Note 37.

31 December 2011

		Fleet and operation	Regasification	Floating production	General
Intangible assets					
Licenses, design and other intangibles	**81 955**	**1 187**	**43 766**	**37 002**	**-**
Tangible assets					
Vessels and new buildings	**501 887**	**449 754**	**52 133**	**-**	**-**
Additions during the year	52 901	768	52 133		

The addition during 2011 of USD 52.9 million relates to accrued change order costs on GDF Suez Cape Ann by USD 0.8 million and investments in two newbuildings on order by USD 52.1 million.

The Group's revenue from external customers in Bermuda is zero. In 2012, the Group had four customers as listed below (2011; three customers) with revenue exceeding 10 percent or more of total income and representing in total USD 105.3 million in income (2011; USD 92.2 million).The largest customer represented for the year ending 2011 and 2012, 34 percent and 39 percent respectively.

- Statoil ASA
- Total E&P Norge AS
- GDF Suez Global LNG Supply SA
- International Gas Transportation Company Limited (not in 2011)

All income on T/C basis is shown in the fleet and operation segment.

Note 6 Charterhire expenses

Leif Höegh (U.K.) Limited bare-boat charters Arctic Princess and Arctic Lady from the joint ventures, in which Höegh LNG has 33.98 percent and 50 percent ownership, respectively. The charter hire expenses represent the portion of the bare-boat hire relating to the external ownership in the joint ventures (see Note 38).

		2012	2011
Charterhire expenses Arctic Lady	50,00%	8 839	8 278
Charterhire expenses Arctic Princess	66,02%	11 874	11 852
Total charterhire expenses external ownership		**20 713**	**20 130**

Note 7 Operating expenses

	2012	2011
Crewing	11 137	10 872
Bonus	-	468
Employer's contribution	1 051	1 284
Other social costs	1 862	1 254
Total crewing costs	**14 050**	**13 878**
Services	2 755	2 065
Spare parts/consumables	6 388	6 981
Damage expenses	2	21
Insurance	3 430	2 985
New installations	115	111
Ship management/other	6 366	6 391
Total operating expenses	**33 106**	**32 432**

Number of seafarers	2012	2011
Seafarers	350	347
Total	**350**	**347**

The increase in operational expenses from 2011 to 2012 is mainly due to LNG Libra commencing her charter on 17 July 2012, representing an increase of USD 2.8 million. This is offset by a non-recurring cost on Arctic Princess in 2011 due to pass-through recognition of operating costs from this year by USD 1.9 million, and bonus accrued for sea fearers in 2011 by USD 0.5 million (Nil accrued in bonus as at 31 December 2012).

Note 8 Administrative expenses

	2012	2011
Salaries	9 437	5 781
Benefits employees	376	294
Bonus	501	1 993
Pension costs defined benefit plans (Note 31)	(2 240)	1 310
Share based payment expenses (Note 16)	809	-
Other social costs	41	1 078
Total salaries and personnel costs, general SG&A	**8 924**	**10 456**
Administration cost	(4 494)	4 042
Consultancy and legal advice costs	3 653	2 279
Remuneration board members	243	205
Total administrative expenses	**8 326**	**16 982**

Number of employees	2012	2011
Office employees	82	69

In 2012 directly attributable employee costs have been allocated to other segments based on actual hours spent on projects. The Group has several newbuilding projects and in 2012 costs generated from directly attributable employee costs was capitalized by USD 3.4 million (USD 0.5 million in 2011).

All costs generated from the two equity transactions during 2012 (share issuances on 3 February 2012 and 22 March 2012) amounting to USD 6.8 million are recorded as deduction from the Group's equity in accordance with IAS 32. Following the initial public offering (IPO) process in 2011 when the Company listed its existing equity and additional newly-issued equity, transaction costs were allocated between the newly issued shares and the existing shares on a rational basis (e.g. by reference to the ratio of the number of new shares to the number of total shares), with only the proportion relating to the issue of new shares being deducted from equity. Transaction costs in 2011 were therefore recorded both as expensed administration costs by USD 1.1 million and directly against deduction from equity by USD 5.4 million.

The curtailment effect when changing pension regime from Defined Benefit (DB) to Defined Contribution (DC) on 1 December 2012 amounted to USD 5.7 million which reduced administration costs in the income statement. The pension premiums (DC) are charged to expenses as they incur.

See Note 36, transactions with related party, for remunerations made to key management.

Below table specifies the annual audit fees:

Auditors fee	**2012**	**2011**
Statutory audit	432	480
Consulting, other services	128	221
Total	**560**	**701**

Note 9 Business development expenses

	2012	**2011**
Salaries	4 276	4 705
Benefits employees	93	135
Bonus	296	633
Pension costs defined benefit plans	594	767
Share based payment expenses (Note 16)	225	-
Other social cost	68	602
Total salaries and personnel expenses	**5 553**	**6 842**
Administration cost	2 864	3 309
Consultancy and legal advice costs	18 055	4 009
Total business development expenses	**26 472**	**14 160**

Cost per Project:	**2012**	**2011**
Floating production (FLNG)	17 744	6 483
Port Dolphin Energy LLC (Regasification)	296	730
Port Meridian Energy Ltd (Regasification) (Sold in October 2012)	143	161
General business development expenses	8 288	6 786
Total business development expenses	**26 472**	**14 160**

Business 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.

Note 10 Interest income

	2012	2011
Interest income from bank deposits	78	135
Other interest income	15	4
Interest on loan to Aequitas Investments Limited	-	530
Total	**93**	**669**

Note 11 Interest expenses

	2012	2011
Interest cost related to lease liabilities	7 674	8 154
Interest cost related to mortgage debt	16 632	17 047
Bond interest	2 464	-
Total	**26 770**	**25 200**

Refer to Note 26 for interest information to the Group's debt.

Note 12 Income from other financial items

	2012	2011
Gain on marketable securities (See Note 25)	2 178	103
Currency gain	77	646
Other financial income	-	28
Total	**2 255**	**777**

Note 13 Expenses on other financial items

	2012	2011
Currency loss	1 099	501
Bank expenditures	58	65
Other financial cost	-	45
Total	**1 157**	**611**

Note 14 Tax

Companies within the Group operate in jurisdictions where taxes are imposed, mainly Norway, UK, US and Singapore and income taxes may be recognised in these jurisdictions. Similar to year ending 2011, the expected taxes payable incurred in UK and Singapore:

Tax payable	**2012**	**2011**
Leif Höegh (U.K.) Limited	66	460
Hoegh LNG Asia Pte. Ltd.	46	38
Total tax payable at 31 December	**112**	**498**

The Group's operational activities are subject to corporate taxation rates between 0 percent and 30 percent. The components of income tax expense are presented below:

Current income tax	2012	2011
Current income tax charge	181	103
Adjustments in respect of current income tax of previous years	-	(304)
Current income tax expense/(income)	**181**	**(201)**

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 2012 and 2011 is:

Reconciliation of income tax expense	2012	2011
Profit/(loss) before income tax	**9 079**	**(17 884)**
At Bermuda's statutory income tax rate of 0 %	-	-
Non deductible expenses for tax purposes	0	13
Adjustments in respect to current income tax of previous years	-	(304)
Effect of higher tax rates outside Bermuda	181	90
Income tax expense/(income) reported in the income statement	**181**	**(201)**
Effective tax rate	2,0%	-7,0%

Deferred tax relates to the following:

Deferred tax assets	2012	2011
Fixed assets	-	(29)
Pensions	238	769
Losses carried forward	1 939	3 302
Losses carried forward not recognized	(1 388)	(3 302)
Total deferred tax assets at 31 December	**789**	**740**

The Group has tax losses in Norway brought forward of about USD 7.6 million as at 31 December 2012 (2011 USD 11.8 million) 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 2012 are not recorded when criteria for recognition are not met. There is no time limit to carry forward tax losses in Norway. The tax effect of transaction costs' amounting to USD 6.8 million in 2012 (USD 5.4 million in 2011) 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 held 1 211 738 treasury shares as at 31 December in 2012 and 31 December 2011. The following reflects the net profit and outstanding shares used in the basic and diluted calculation.

	2012	2011
Net profit attributable to equity holders of the parent company	**8 898**	**(17 683)**
Number of outstanding shares 1 January	45 797 432	27 002 389
Number of oustanding shares 31 December	68 665 477	45 797 432
Share options	769 000	-
Weighted average number of outstanding shares	66 879 188	36 346 214

EPS:		
> basic, profit for the year attributable to ordinary equity holders of the parent	0,1331	(0,487)
> diluted, profit for the year attributable to ordinary equity holders of the parent	0,1315	(0,487)

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share.

Note 16 Share-based payments

The Company introduced on 2 February 2012 a share option programme covering certain employees in senior positions. As at 31 December 2012, there were 25 employees included in the option programme. Under this incentive scheme, share options of the parent company are granted to executives of the HLNG Group. The share options vest equally over a three year period from the date of granting, given that the executive remains employed on such date.

	Average Exercise price	2012	2011
Outstanding at 1 January		-	-
Granted during the year		786 000	-
Forfeited during the year		(17 000)	-
Exercised during the year		-	-
Expired during the year		-	-
Outstanding at 31 December	**53,00**	**769 000**	**-**
Exercisable at 31 December		**NIL**	

The expense recognised for employee services received during the year charged to the income statement for 2012 is USD 1 million (2011: USD 0).

The weighted average fair value of the share options granted during the period is NOK 25.98. The fair value of the share option is estimated at the grant date using a Black & Scholes simulation pricing model, taking into account the terms and conditions upon which the share options were granted. All options expire on 31 December 2016 and the weighted average remaining contractual life for the share options outstanding as at 31 December 2012 was 4 years.

The following table lists the inputs to the models used for the plan for the years ended 31 December 2012:

Dividend yield (%)	0
Expected volatility (%)	55%
Risk–free interest rate (%)	1,71%
Expected life of share options (years)	4,81
Weighted average share price	NOK 53,37
Option pricing model used and the inputs to that model	Black & Scholes Merton Pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The options could be settled either in cash or shares based on the Company's sole discretion.

Note 17 Non-current financial assets

	2012	2011
Fair value of Cross currency Interest rate swap	1 627	-
Other	22	107
Carrying amount at 31 December	**1 649**	**107**

See Note 18 for non-current recognition of negative mark-to-market valuations of interest rate swaps. For further information on swaps see note 26.

Note 18 Other non-current financial liabilities

Interest rate swap agreements are entered into by the Company, Joint Gas Ltd., Joint Gas Two Ltd., SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh LNG Ltd. The Company has in addition entered into a cross currency interest rate swap agreement (see Note 17). The interest rate and currency swap agreements are designated as effective hedging instruments. The non-current portion of the mark-to-market valuation of these agreements as at 31 December is presented below.

For further information on interest rate swaps, see Note 26.

	2012	2011
Interest rate swaps - designated as hedges	110 648	113 606
Total non-current financial liabilities	**110 648**	**113 606**

Note 19 Gain / (loss) sale of assets

	2012	2011
Gain on sale of project Port Meridian*	10 371	-
Miscellaneous	34	(80)
Total	**10 405**	**(80)**

*In October 2012, Höegh LNG sold the UK-subsidiary, Port Meridian Energy Limited, for a cash consideration of USD 20 million to Meridian Holdings Co., an entity advised by West Face Capital Inc. and owned by a fund managed by West Face Capital. The recorded net profit from the sale was USD 10.4 million.

Höegh LNG remains the supplier and operator of the FSRU for the planned LNG import terminal under a Joint Development Agreement with the West Face fund. Meridian Holdings Co. will continue to develop the commercial agreements for LNG imports and the pipeline connecting the FSRU to the gas distribution grid. Both parties are committed to successfully developing the project with an ambition to start operations in 2016.

Note 20 Licenses, design and other intangibles

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

Cash Generating Unit (CGU)	Segment	2012	2011
FLNG front-end engineering design	Floating production	37 002	37 002
Port Dolphin permits	Regasification	35 129	34 739
Port Meridian permits (See note 19)	Regasification	-	9 027
Compressed Energy Technology patents	Fleet and operation	1 106	1 187
Carrying amount at 31 December		**73 237**	**81 955**

The patents relating to Compressed Energy Technology are depreciated. The other assets are not subject to depreciation until the respective projects are completed.

The Group performed its annual impairment test as at 31 December 2012. When reviewing for indicators of impairment, the Group considered general market conditions, such as the fact that the demand for LNG has continued to increase and thereby strengthened the basis for the LNG related cash generating units.

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, (ii) construction cost overrun risks and (iii) other risks 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 are set out below:

	2012	2011
Cost at 1 January	81 955	80 058
Additions	625	3 341
Sale of Port Meridian (See note 19)	(9 262)	0
Depreciation of patents	(81)	(81)
Impairment and depreciation	-	(1 363)
Cost at 31.December	**73 237**	**81 955**

FLNG front-end engineering design

Since 2006, Höegh LNG has invested about 400,000 engineering man-hours in a front-end engineering design ("FEED") and field specific studies 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, e.g., 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 currently 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. In 2012, the Group's FLNG related activities, assets and liabilities were transferred to a new wholly owned subsidiary of Höegh LNG Holdings Ltd., Höegh FLNG Ltd. in Bermuda. The Group is in the process of finding one or more external investors to own a share of this subsidiary.

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 partly 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 10.9 percent (2011: 10.8 percent). The residual value after the 25 year prognosis period has been assumed to be 10 percent of the initial investment indexed by the 2.5 percent 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 Dolphin permits

Port Dolphin is planned as a floating LNG storage and regasification terminal designed to host an FSRU moored outside Tampa Bay, off the west coast of Florida. 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 modify these permits 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 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 percent (2011: 9.3 percent). The residual value at the end of the lease period has been assumed to be 21 percent of the initial investment indexed by the 2.5 percent inflation assumption. 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 two pipelines connecting Florida to the main U.S. market. With current growth patterns, it is expected that the capacity of these pipelines will be fully utilised within the next three to four 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 2013.

Compressed Energy Technology ("CETech") – patents

The recoverable amount of Compressed Energy Technology AS' 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. Intangible assets consisting of patents recognised at USD 1.1 million are allocated to this cash generating unit.

Key assumptions used in value in use calculations

The recoverable amount for each of the cash generating units has been determined based on cash flow projections, or in the case of CETech an assessment of the market value less costs to sell. The cash flow projections are 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 has been calculated for each of the cash generating units based on engineering studies and prices obtained from potential suppliers.

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

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 and Port Dolphin cash generating units. Should the Group be unable to pass on, or absorb through efficiency improvements, cost overruns exceeding 41 percent for the FLNG and 32 percent 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 29 percent for the FLNG and 25 percent for Port Dolphin, impairment may result.

In the event that no investment decisions are made, the total carrying amount of USD 73.2 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

Note 21 Vessels, equipment and depreciation

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

Vessels	**2012**	**2011**
Cost at 01.01	506 862	506 094
Acquisition of LNG Libra	51 644	-
Acquisition dry docking costs (LNG Libra)	1 589	-
Accrued costs from change order (CNOOC) on GDF Suez Cape Ann	1 613	768
Cost at 31 December	**561 708**	**506 862**
Accumulated depreciation 01.01	(57 108)	(39 891)
Depreciation charge vessels and depot spares	(18 842)	(15 592)
Depreciation charge dry docking	(2 074)	(1 625)
Accumulated depreciation 31.12	**(78 025)**	**(57 108)**
Net carrying amount at 31 December	**483 684**	**449 754**

Net carrying amount 31 December	**2012**	**2011**
Vessels	476 200	441 609
Drydocking	2 558	3 034
Depot spares	4 926	5 111
Net carrying amount at 31 December	**483 684**	**449 754**

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

Net carrying amount 31 December	**2012**	**2011**
Vessels	476 200	441 609
Drydocking	2 558	3 034
Depot spares	4 926	5 111
Net carrying amount at 31 December	**483 684**	**449 754**

Arctic Princess and Arctic Lady are recorded as vessels following the Group being a lessee of these financial leases. Carrying amount as at 31 December 2012 is USD 134.5 million (31 December 2011: USD 139.6 million). Norman Lady is fully depreciated to a residual value of USD 2.7 million. For commitments, see Note 37.

The Group's recognition of equipment mainly relates to the investments in IT and machinery in Oslo office after discontinuance of being provided all IT services by Höegh Autoliners Management AS.

Equipment	**2012**	**2011**
Cost 01.01	3 284	1 947
Additions/(disposals) net	1 881	1 337
Cost at 31 December	**5 165**	**3 284**
Accumulated depreciation at 1 January	(980)	(565)
Depreciation charge	(1 284)	(415)
Accumulated depreciation and impairment at 31 December	**(2 264)**	**(980)**
Net carrying amount at 31 December	**2 901**	**2 304**

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

Depreciation	**2012**	**2011**
Vessels	18 842	15 592
Drydocking	2 074	1 625
Equipment	1 284	415
Other	532	518
Total	**22 733**	**18 150**

Depreciation is calculated on a straight-line basis over the estimated useful life taking residual values into consideration. The useful life of vessels was until 31 December 2011 estimated at 30 years. Based on revised expectations, the useful life estimate has with effect from January 2012 been increased to 35 years.

The impact on the Group's depreciation cost when changing from 30 to 35 years is a reduction in annual depreciation of USD 2.4 million.

Note 22 Investments in newbuildings

On 10 June 2011, the Group signed and entered into firm shipbuilding contracts with Hyundai Heavy Industries Co. Ltd. ("HHI") for the building of two FSRUs. They are scheduled to be delivered in the first quarter of 2014 and in the second quarter of 2014, respectively. On 3 February 2012 and 8 October 2012, the Group signed and entered into two additional shipbuilding contracts with HHI, with delivery in the second quarter 2014 and the first quarter 2015, respectively.
Höegh LNG has further been granted a new option for one additional FSRU with delivery in the fourth quarter 2015, if exercised.
The cost break down to the carrying amount for the investments in newbuilding on order at 31 December is specified as follows:

Newbuildings	**2012**	**2011**
Cost 01.01	52 133	-
Borrowing cost	-	485
Yard instalments paid to Hyunday Heavy Industries Co. Ltd.	156 036	50 600
Mooring costs (PGN project)	2 926	-
Other capitalized cost	14 621	1 816
Delivered	-	(768)
Net carrying amount at 31 December	**225 716**	**52 133**

In the first quarter 2012, Höegh LNG signed an agreement with Perusahaan Gas Negara ("PGN") to provide an FSRU and mooring for a new LNG import terminal in North Sumatra, Indonesia. In March 2012, Höegh LNG was requested by PGN to move the terminal to South Sumatra, where it will be moored offshore Labuhan Maringgai in the Lampung province and be connected to the existing gas distribution grid via a subsea pipeline. From this new location, the FSRU will serve a large market of industrial gas consumers located in and around Jakarta, where there is a shortage of natural gas supply. In October 2012, PGN and Höegh LNG signed the amended commercial agreement for the FSRU to be located in the Lampung province. Höegh LNG will provide the same FSRU as originally intended for the initial location with modifications as required by the client. The agreement is for a 20 year term with two five year extension options. As under the initial agreement, the mooring system will be paid for and built by Höegh LNG, but under the amended agreement, PGN will purchase the mooring system upon completion. The planned start-up date has been moved from February 2014 to June 2014, and Höegh LNG will receive full compensation for the delayed start-up. The delivery date from the yard of the FSRU to be employed for this project has due to the re-location been re-scheduled to the end of April 2014.

In March 2012 Höegh LNG entered into an agreement with AB Klaipedos Nafta to provide an FSRU to be used as an LNG import terminal in Lithuania. The FSRU will be moored to a jetty located in the harbour of Klaipeda in Lithuania, which will be connected to the domestic gas grid via an on-shore pipeline. Höegh LNG's scope of work comprises the lease end operation of the FSRU only. The agreement is a 10 year charter party with a purchase option offered after the lease period. The FSRU has a regasification capacity to supply 100 percent of Lithuania's current demand for natural gas.

In the third quarter of 2012, Höegh LNG was selected as the preferred bidder for the supply of an FSRU for a new LNG import terminal under development by Colbún S.A. and AES Gener S.A., which are among the largest power producers in Chile. The FSRU will be located in Quintero Bay, close to Santiago in Chile, connected to the existing gas grid, and supplying natural gas to existing power plants. The lease agreement is for 10 years with an extension option for another five years, and is subject to final documentation and approvals in Chile

The carrying amounts to each of the four newbuildings and respective allocations are:

Carrying amount per newbuilding on order		2012	2011
Hull2548	Dedicated to the PGN project in Indonesia	86 473	26 067
Hull2549	Dedicated to the Klaipedos Nafta project in Lithuania	82 345	26 067
Hull2550	Dedicated to the Colbún project in Chile*	29 866	-
Hull2551		27 032	-
Net carrying amount at 31 December		**225 716**	**52 133**

*Höegh LNG is the preferred bidder

Note 23 Other non-current assets

	2012	2011
Dry docking roro vessels	517	977
Arrangement, commitment fees on undrawn facilities *	4 190	5 335
Pre-contract costs (TCP) **	4 020	1 804
Net carrying amount at 31 December	**8 727**	**8 116**

*Arrangement and commitment fees etc. paid to syndicates, banks and export credit agencies qualify as cost price of the vessels according to IAS 16 cf. IAS 23 (Borrowing cost) during the construction period. Capitalized borrowing costs are calculated based on effective interest method (IAS 39). Upon delivery of the vessel, the remaining finance cost will be reclassified against mortgage debt and recorded in profit or loss through the duration of the facility/loan as interest cost.

** Pre-contract costs are incremental costs recorded in the period starting when the Group is selected as the preferred bidder of an FSRU until a firm charter party agreement is signed. These costs will be amortized (linearly) from the commencement of respective charter party until the end of firm charter party.

Note 24 Trade and other receivables

	2012	2011
VAT net receivable	609	506
Prepayments	2 500	1 911
Receivables against external owners in Joint Ventures (Note 36)	672	421
Other receivables	1 747	2 012
Total	**5 528**	**4 850**

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 comprising marketable securities managed by Höegh Capital Partners ASA. See Note 36 for transactions with related party.

Balance at year end	2012	2011
Marketable securities	113 877	90 098
Total	**113 877**	**90 098**

Reconciliation of balance at year-end	2012	2011
Market value of marketable securities at 1 January	90 098	-
Fair value change and gain/loss on realization of securities	2 178	98
Purchase of marketable securities	205 000	90 000
Sale of marketable securities	(183 400)	-
Market value of marketable securities at 31 December	**113 877**	**90 098**

The purpose of the security portfolio is to earn a return after fees in excess of the return which can be earned for cash and time deposits, but the risk profile is to be kept low and the liquidity high. Investments are made in investment grade securities with average credit duration of less than two years. Investments are permitted in any currency, but currency risk will have to be hedged.

The security portfolio consists of following instruments:

	2012	2011
Norw egian Bonds	111 426	66 819
Foreign Bonds	3 690	15 562
Curency forw ards	(3 000)	5 603
Cash holding	1 761	2 114
Marketable securities at fair value 31 December	**113 877**	**90 098**

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

Profit and loss effect	2012	2011
Unrealized loss on bonds in portfolio	(3 918)	(6 612)
Interest income	3 741	1 438
Profit/(loss) from currency contracts and deposits	2 590	5 347
Administration costs portfolio	(235)	(75)
Total	**2 178**	**98**

Note 26 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 capital expenditure commitments. As part of the Group's long-term capital management strategy, Höegh LNG is seeking to diversify the sources of funding available to the Group.

The shares in Höegh LNG were on 5 July 2011 listed at the Oslo Stock Exchange and the Company has since then raised a total of gross USD 340.5 million in new equity. USD 131.8 million was raised in connection with the IPO in June 2011 and USD 208.7 million in follow-on share issues in February 2012 and March 2012.

In 2012, Höegh LNG issued a NOK 750 million senior unsecured corporate bond in the Norwegian bond market. The bond is listed at the Oslo Stock Exchange. This is the first bond issue made by the Company and represents a further expansion of the funding sources available to the Group.

Proceeds from the equity capital transactions and the bond issue totalling approximately USD 460 million are allocated to the Group's expansion with Regasification, and in particular the Indonesian FSRU project, the Lithuanian FSRU project, and the third and fourth FSRU on order at Hyundai, in addition to the acquisition of 50 percent of STX Frontier.

The Group's vessels are normally debt financed at project level in special purpose companies ("SPC"), wholly or partly owned by the Group. Each SPC has a debt level suitable for its purpose, taking into consideration the respective revenue and counter party risk, age of its asset and return on invested capital. Some projects are financed on a non-recourse basis, while others are financed with a limited or full recourse to the companies higher up in corporate structure.

Long-term debt financing of the FSRUs on order will be raised when employment of the respective vessels is secured. A USD 288 million senior secured debt facility is already in place covering up to 50 percent of the delivered costs of up to two of the FSRUs on order. The facility is intended as a bridge facility to long-term bank financing should this not be available as planned. The intention is not to draw under the facility.

In 2012, the Group secured a USD 250 million senior secured debt facility for the financing of the Klaipedos Nafta FSRU. The Facility is 75 percent guaranteed by the Korean credit agency K-sure and the Norwegian credit agency GIEK. The Group is currently in the process of raising financing for the FSRU and mooring to be located in Indonesia and the FSRU to be located in Chile. It is expected that debt financing equivalent to 70-80 percent of the delivered cost of the remaining FSRUs on order is achievable depending on project specifics.

Unpaid capital expenditure commitments relating to the existing investment program stood at approximately USD 1.2 billion as of 31 December 2012. This comprises the four FSRUs on order, the Lampung mooring and 50 percent of STX Frontier, and includes yard payments, project expenses and finance costs. As of 31 December 2012, the Group had cash and cash equivalents of USD 247 million, and undrawn credit facilities of USD 538 million. The plan is to raise in excess of USD 800 million of new debt to fund remaining capital expenditures as described above and replace the USD 288 million bridge facility.

On a consolidated basis, the Group has as of year-end 2012 a capital structure comprising a 44 percent equity ratio net of hedging reserves. This is deemed sufficient given the nature of the Group's business and its existing commitments. 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.

	31.12.12	**31.12.11**
Total equity excluding of hedging reserves	476 808	264 936
Total assets	1 072 126	744 655
Equity ratio	**44%**	**36%**

The Group sees no need to raise additional equity to fund the remaining capital commitments relating to its current investment programme. The Group will, however, consider coming back to the equity market to facilitate further growth of the Group. The Group has in this respect started to explore the formation of a Master Limited Partnership to be listed in the US.

The Group has no plans to pay dividend before the four FSRUs currently on order have been delivered and generate income, but expects to be in a position to pay dividends from 2015.

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 (foreign exchange and interest rate risks)

Risk management routines are in place 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 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.

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 that exists relates mainly to administrative expenses denominated in NOK, SGD and GBP, of which NOK represents the largest exposure. The NOK 750 million corporate bond issued in 2012 has to 100 percent been swapped into USD and does not represent any currency risk to the Group.

All interest bearing debt within the Group is subject to floating interest rates, of which the majority has been swapped into fixed interest rates. Interest rates relating to secured debt have been swapped into fixed interest for the length of the underlying commercial contract. Interest rates relating to most unsecured debt have been swapped into fixed interest rate for the tenor of the facility. The interest rate for the UK finance leases of Arctic Princess and Arctic Lady has been hedged by 100 percent for twenty-five years. The interest rate relating to the financing of GDF Suez Neptune and GDF Suez Cape Ann has been hedged by 96 percent for twenty years. The interest rate for the USD 250 million financing of the Klaipedos Nafta FSRU to be delivered in 2014 has been hedged by 98.8 percent for ten years. The interest rate relating to the NOK 750 million corporate bond issued in 2012 has been hedged by 100 percent for the five year tenor of the facility. As of 31 December 2012, the Group had the following interest rate swap agreements outstanding:

Swap agreements per Group Companies	100%	HLNG share	Maturity	Interest
Joint Gas Ltd. (Arctic Princess)	167 426	56 891	14.01.2031	5,7400 %
Joint Gas Two Ltd. (Arctic Lady)	167 406	83 703	15.04.2031	5,5390 %
SRV Joint Gas Ltd. (GDF Suez Neptune)	265 826	132 913	31.10.2029	5,8600 %
SRV Joint Gas Two Ltd (GDF Suez Cape Ann)	270 173	135 087	30.04.2030	5,8960 %
Höegh LNG Ltd. (Klaipedos Nafta)	247 000	247 000	29.11.2024	5,1000 %
Höegh LNG Holdings Ltd. (Bond)	130 264	130 264	03.10.2017	7,3317 %
Outstanding notional amounts	**1 248 095**	**785 858**		

All interest rate and currency swap agreements are hedging instruments recognised at fair value in the accounts of the Group. The market value of the Company's CCIRS was positive by USD 4.5 million relating the currency portion and negative by USD 2.8 million relating the interest rate swap. The net amount of USD 1.6 million is presented as other non-current financial assets in the financial position at 31 December 2012 (see Note 17). The NOK 750 million bond issue was re-measured by USD 4.5 million during 2012 due to the weakening of the USD exchange rate against NOK. This foreign exchange loss is offset by the gain on the related currency swap. No financial gain or loss is recorded in profit or loss despite exchange changes in the USD/NOK currency.

The Group's share of the interest rate and currency hedges at 31 December 2012 are negative by USD 133 million specified below:

Company in Group	100%	HLNG share
Joint Gas Ltd. (Arctic Princess)	57 565	19 561
Joint Gas Two Ltd. (Arctic Lady)	48 987	24 493
SRV Joint Gas Ltd. (GDF Suez Neptune)	84 179	42 090
SRV Joint Gas Two Ltd (GDF Suez Cape Ann)	87 935	43 967
Höegh LNG Ltd. (Klaipedos Nafta)	1	1
Höegh LNG Holdings Ltd. (Bond)*	2 846	2 846
Total hedged reserves	**281 513**	**132 958**

On 24 September 2012, Höegh LNG entered into a forward starting (forward start 3 October 2012) CCIRS with DNB, SEB and Nordea, respectively, each in an amount of NOK 250 million. Under the CCIRSs Höegh LNG will receive 3 months Nibor + 6 percent on a total principal of NOK 750 million and pay fixed interest of 7.3317 percent (average under the three CCIRSs) on USD 130,264,872, with exchange of principals amounts (NOK 750 million / USD 130,264,872) at maturity 3 October 2017. As of 3 October 2012, the three CCIRSs are together designated as one

hedging instrument to hedge the exposure to variability in cash flows related to the USD bond due to changes in market interest rates and changes in the USD/NOK exchange rate.

Changes in the fair values of the Group's interest rate swaps (IRS) and cross currency interest rate swaps (CCIRS) are recognized as other comprehensive income (OCI). For 2012 OCI from interest rate and currency swaps were negative by USD 1.3 million compared to a negative OCI in 2011 of USD 48.7 million.

Other comprehensive income	**2012**	**2011**
Fair value of interest rate swap agreements on 1 January	(131 649)	(82 938)
Change in carrying value of bond 31 December	(4 472)	-
Fair value of interest rate and currency swap agreements on 31 December	(128 486)	(131 649)
Other comprehensive income/(loss)	**(1 309)**	**(48 711)**

An increase in the floating interest rate of 100 basis points (1 percent), would impact the OCI positively by USD 40.5 million (the equivalent impact on the OCI for 2011 would have been USD 43.4 million).

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 2012				
Instalment on mortgage debt	16 173	42 943	227 886	287 001
Interest on mortgage debt *	15 936	57 669	53 409	127 014
Instalment on lease debt	4 481	20 592	115 521	140 594
Interest on lease debt *	7 374	26 184	41 367	74 925
Instalment (repayment) bond	-	130 265	-	130 265
Interest on bond (swap) *	9 683	38 759	-	48 443
Trade and other payables	11 940	-	-	11 940
Other financial liabilites	480	-	-	480
	66 068	**316 411**	**438 184**	**820 663**

Existing financial obligations totalling approximately USD 708 million (refer to table of liabilities set out under credit risk) will be repaid through the cash flow generated from existing assets within the Group. Financial obligations relating to the corporate bond and the financing of GDF Suez Cape Ann and GDF Suez Neptune are subject to re-financing in 2017, 2021 and 2022, respectively, while financial obligations relating to the Artic vessels are not subject to any re-financing and will be fully amortized during the length of the underlying commercial agreement. All existing vessels subject to debt financing are on long term charter contracts with creditworthy counter parties.

* Interest on mortgage lease debt and bond (marked by * in the table above) are based on the swapped fixed interest rates. The estimated maturity profile to the Group's swaps is presented below:

Year ended 31 December 2012	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest rate swaps designated as effective hedges				
Hedging inctruments	**19 465**	**66 078**	**47 415**	**132 958**

Interest cost derived from interest rate swap agreements have been reclassified from other comprehensive income (OCI) due to payment of swapped interest. Total OCI reclassified to profit or loss for 2012 and 2011 amounted to USD 19.7 million and USD 21.2 million, respectively.

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 normally 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. The maturity profiles of outstanding trade receivables and trade payables as at 31 December 2012 and 2011 are all in the range of 30-60 days.

The marketable securities amounting to USD 113.9 million as at 31 December 2012 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 2012 and 2011.

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	
	2012	**2011**	**2012**	**2011**
Financial instruments at fair value through profit or loss				
Marketable securities	113 877	90 098	113 877	90 098
Derivatives in effective cash flow hedges	1 627	-	1 627	-
Total financial instruments at fair value	**115 503**	**90 098**	**115 503**	**90 098**
Loans and receivables at amortised cost				
Trade and other receivables	5 550	4 957	5 550	4 957
Total loans and receivables	**5 550**	4 957	5 550	4 957
Cash and cash equivalents (including restricted cash)	155 935	49 166	155 935	49 166
Total	**276 988**	**144 221**	**276 988**	**144 221**
Total current	**252 087**	**131 562**	**252 087**	**131 562**
Total non-current	**24 901**	**12 659**	**24 901**	**12 659**

	Carrying amount		Fair value	
	2012	**2011**	**2012**	**2011**
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	130 113	131 649	130 113	131 649
Total financial liabilities at fair value	**130 113**	**131 649**	**130 113**	**131 649**
Other financial liabilities at amortised cost				
Trade and other payables	11 940	6 646	11 940	6 646
Other financial liabilities	480	1 997	480	1 997
Interest-bearing loans and borrowings	565 995	443 585	493 274	388 577
Total other financial liabilities at amortised cost	**578 415**	**452 228**	**505 695**	**397 220**
Total	**708 528**	**583 877**	**635 807**	**528 869**
Total current	**59 199**	**44 003**	**59 199**	**44 003**
Total non-current	**649 328**	**539 875**	**576 608**	**484 866**

The fair value of the financial assets and liabilities is 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.
- Since HLNG01 securities are listed on Oslo Børs, fair value of bonds is disclosed based on traded information (101 percent on 31 December 2012).
- Höegh LNG enters into derivative financial instrument with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation 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

The Group uses hierarchy for determining and disclosing the fair value of financial instruments by valuation technique and has only financial instruments measured at fair value within **level 2**. Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

As at 31 December 2012, Höegh LNG held the following financial instruments carried at fair value on the statement of financial position:

Assets:

Fair value of marketable securities and cross currency interest rate swap agreement amounted to USD 113.9 and USD 1.6 million, respectively.

Liabilities:

Fair value of the interest rate swap agreements was negative by USD 130.1 million.

During the reporting periods of 2011 and 2012, there were no transfers between any of the levels. Refer to Notes 17, 18 and 35 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 27 Current cash and cash equivalents

Currency		Exchange rate	31.12.2012	Exchange rate	31.12.2011
US Dollar (USD)	USD		129 259	1	29 778
Norwegian kroner (NOK)	USD/NOK	5,57	2 747	5,99	6 123
Pound Sterling (GBP)	GBP/USD	1,62	181	1,55	55
Euro (EUR)	EUR/USD	1,32	301	1,29	565
Singapore Dollar (SGD)	SGD/USD	0,82	195	0,77	93
Total			**132 683**		**36 614**

Cash on escrow accounts held as collateral in relating tenders provided by the Group, amounted to NIL at 31 December 2012 (USD 3.3 million at 31 December 2012). Cash on escrow accounts relating employees' taxation totals USD 0.9 million as of 31 December 2012 (USD 0.8 million 31 December 2011). Current cash held in joint ventures totals USD 13.7 million as at 31 December 2012 (31 December 2011: USD 11.0 million).

Note 28 Non-current restricted cash

Restricted bank deposits	Ownership share	2012	2011
SRV Joint Gas Ltd.	50%	6 132	6 132
SRV Joint Gas Two Ltd.	50%	6 420	6 420
Höegh LNG Ltd.	100%	10 701	-
Total		**23 253**	**12 552**

A requirement under the SRV financing is that an amount equal to six months debt service must be deposited on an escrow account. The amount of USD 10.7 million in Höegh LNG Ltd. is deposited in an account assigned to Standard Chartered Bank. The bank has issued a Letter of Credit of an equal amount in favour of PGN for the Lampung FSRU project. Funds will be released from the account upon acceptance of the project.

Note 29 Equity

Number of shares	Par value	2012	2011
Ordinary shares authorized	USD 0,01	75 000 000	75 000 000
Total number of shares issued and fully paid	**USD 0,01**	**69 885 519**	**47 009 170**

Share capital	Number of shares	Par value	Total
Shares and share capital at 1 January 2012	47 009 170	0,01	470,09
Share issue 3 February 2012	22 641 509	0,01	226,42
Share issue 22 March 2012	226 536	0,01	2,27
Share issue 30 August 2012	8 304	0,01	0,08
Shares and share capital at 31 December 2012	**69 885 519**		**699**

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 2012	**1 211 738**		**12**

Total outstanding shares at 31 December 2012	**68 673 781**

Höegh LNG Holdings Ltd. has one class of shares. The Board has not proposed any dividend to be paid for the year 2012 (in 2011: NIL).

On 3 February 2012, Höegh LNG Holdings Ltd. completed a private placement raising USD 206 million in gross proceeds through the issuance of 22,641,509 new shares, each at a subscription price of NOK 53 per share (USD 9.125). A subsequent offering followed on 22 March 2012 and the Company issued 226,536 new shares at NOK 53.00 per share (USD 9.153), raising gross proceeds of USD 2.1 million. Transaction costs of USD 6.8 million, relating to these two issues have been recorded against share premium. The transaction costs recorded against deduction in share premium is net of any related income tax benefit.

On 30 August 2012, the share capital was increased by USD 83.04, from USD 698,772.15 to USD 698,855.19, by issuing 8,304 new shares. The new number of issued shares is 69,885,519. The shares were issued at a subscription price of NOK 43.20 as remuneration to some of the Company's Directors.

Key Management owns 45.6 percent of Methane Ventures Limited which owns 1.7 percent or 1,211,738 of the shares in Höegh LNG Holdings Ltd. See Note 36 for disclosure of transactions with related parties.

20 largest shareholders as at 31 December 2012	Ownership (#)	Ownership (%)
Leif Hoegh and Co Ltd.	31 027 210	44,40%
BNYM SA/NV - BNY BRU	2 608 273	3,73%
Nordea Nordic Small	2 008 358	2,87%
Morgan Stanley & Co	1 893 772	2,71%
JP Morgan Clearing	1 465 623	2,10%
UBS AG, London Branch	1 449 745	2,07%
JP Morgan Chase Bank	1 320 710	1,89%
Skandinaviska Enskilda	1 290 060	1,85%
Methane Ventures Ltd.	1 211 738	1,73%
Spesialfond KLP Alfa Global	1 051 523	1,50%
Fondsfinans Spar	1 000 000	1,43%
Fidelity Funds-Nordic	950 500	1,36%
Verdipapirfondet DNB	803 080	1,15%
Blackrock Global Smallcap	635 100	0,91%
State Street Bank an	603 407	0,86%
MP Pensjon PK	551 530	0,79%
Pareto AS	549 100	0,79%
Goldman Sachs & Co	519 579	0,74%
Ilmarinen Mutual Pension	515 000	0,74%
JP Morgan Bank Luxembourg	486 348	0,70%
	51 940 656	**74,32%**

Note 30 Total interest bearing debt

	2012	2011
Non-current		
Mortgage debt	270 831	286 875
Bond (NOK 750 million)	134 736	-
Arrangement fee on mortgage debt and bond loan for amortization	(3 001)	(1 200)
Debt related to lease liabilities	136 113	140 594
Total non-current	**538 679**	**426 269**
Current		
Mortgage debt	16 172	8 625
Debt related to lease liabilities	4 481	4 247
Total current	**20 653**	**12 872**
Total	**559 332**	**439 141**

Mortgage debt

GDF Suez Neptune and GDF Suez Cape Ann Facility

On 20 December 2007, two joint ventures in which the Group has 50 percent ownership entered into one facility of USD 300 million each. As of 31 December 2012, the Group's share of total drawing under these facilities was USD 280.0 million. The Group's share of these vessels' book value, pledged as security, amounts to USD 299.6 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 percent. Balloon instalments are scheduled and due for payment in 2022 after the 12 year tenor.

Methane Ventures Limited Facility

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 7.0 million as at 31 December 2012. Compliance with all covenants under the facility is confirmed at year end 2012. The loan carries an interest equal to six months LIBOR plus a margin of 1.15 percent and is repayable on 20 July 2013. Methane Ventures Limited's ownership of shares held in Höegh LNG Holdings Ltd. is pledged to DNB Bank as security.

Klaipedos Nafta FSRU Facility

On 28 November 2012 Höegh LNG entered into a facility of USD 250 million in which 75 percent is guaranteed by the Korean credit agency K-sure and 25 percent by the Norwegian credit agency GIEK. It has a tenor of 7 years and an overall repayment profile of 16 years. The margin is 3.1 percent and the interest rate is swapped from floating to fixed for the length of the underlying commercial agreement. The fixed interest rate is 1.9 percent. The first repayment instalment shall become due on the date falling three months after the delivery date of the vessel.

Financial covenants

Consolidated financial position shall at all times be such that (i) the book equity (excluding any hedging reserve) exceeds the higher of USD 200 million and 25 percent of total assets, (ii) free liquid assets (meaning the aggregate value of cash in hand, deposits in banks and financial institutions, debt securities which are publicly traded on a major stock exchange or investment market and rated at least "A" with Standard and Poor's, and available drawings, but excluding any of those assets subject to a Security) exceed the higher of USD 20 million and 5 percent of financial indebtedness of the Group excluding financial indebtedness of a member of the Group other than the Borrower (Höegh LNG Ltd.) or Höegh LNG Holdings Ltd, which has not been guaranteed by the Borrower or Höegh LNG Holdings Ltd., (iii) current assets exceed current liabilities, and (iv) the ratio of net earnings to debt service is not less than 1.2:1.

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 140.6 million. The Group's share of Arctic vessels' book values as at 31 December 2012 amounts to USD 134.5 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 2012, Höegh LNG's consolidated share of the applicable termination sums under the two UK leases was USD 136.4 million (31 December 2011: USD 148.4 million).

FSRU Facility of USD 288 million

In June 2011, Höegh LNG entered into a USD 288 million debt facility agreement providing 50 percent funding for up to two of the FSRUs on order at Hyundai Heavy Industries Co. Limited for up to three years after delivery. No drawdown has been made under this facility as of 31 December 2012. 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 of 3 percent. From 1 June 2011, Höegh LNG is committed to pay an annual fee of 1.2 percent of the total facility. Reference is made to Note 37 for disclosures of commitments, guarantees and contingent liabilities.

Financial covenants

Consolidated financial position shall at all times be such that (i) the book equity (excluding any hedging reserve) exceeds the higher of USD 200 million and 25 percent of total assets, (ii) free liquid assets (meaning the aggregate value of cash in hand, deposits in banks and financial institutions, debt securities which are publicly traded on a major stock exchange or investment market and rated at least "A" with Standard and Poor's, and available drawings, but excluding any of those assets subject to a Security) exceed the higher of USD 10,000,000 for each vessel which has not yet been delivered under the relevant building contract; and following the first delivery date USD 7,500,000 per vessel owned or operated by an obligor (Höegh LNG Holdings Ltd and Höegh LNG Ltd) or a subsidiary fully-owned by an obligor, but excluding any such vessel which is financed on a non-recourse basis.

Bond issuance

NOK 750 million Senior Unsecured callable Bond issue

On 3 October 2012 the Group issued a senior unsecured bond of NOK 750 million in the Norwegian bond market with maturity date expected to be 3 October 2017. The bond carries 3 months Nibor plus a coupon of 6 percent. Höegh LNG has entered into a cross currency interest rate swap from NOK to USD and from floating to a fixed interest rate of 1.3 percent.

Financial covenants

The Group undertakes to maintain at all times (i) a book equity (excluding any hedging reserve) of no less than the higher of USD 200 million and 25 percent of total assets, (ii) free group cash in a minimum amount of USD 40,000,000, and (iii) free cash in a minimum amount of 5 percent of the Group's total interest bearing debt less any debt financed on a non-recourse basis. Free group cash means the Group's cash and cash equivalents excluding cash and cash equivalents held by any joint venture Company. Free cash means the Group's cash and cash equivalents.

The Issuer shall not make, declare or undertake any dividend distribution at any time prior to 31 December 2014. At any time after 31 December 2014, any such distributions shall not i) exceed in aggregate during any calendar year 50 percent of the Issuer's consolidated net profit after taxes (excluding any net profit of any Group company realised from the establishment of an MLP in any MLP Transaction) based on the audited financial statements for the previous financial year; or ii) be made unless, subsequent to the distribution, (a) the ratio of book equity (excluding any hedging reserves) to total assets is at least 30 percent, and (b) the free group cash is no less then USD 50,000,000.
The Group shall not incur or commit to any capital expenditure after the date of the Bond Agreement unless the Group's pro-forma equity ratio subsequent to such incurrence is equal to or higher than 30 percent tested on the first quarter date following the incurrence of such capital expenditure. The pro-forma equity ratio means the book equity (excluding any hedging reserve) to pro-forma total assets, which means total assets plus to the extent not included in total assets pursuant to IFRS, any capital expenditure incurred or committed to after the date of the Bond Agreement

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:	**2012**	**2011**
Less than one year	16 173	8 625
Between one and five years	42 943	47 237
More than five years	227 886	239 638
Total	**287 001**	**295 499**

Maturity of lease liabilities

Repayment schedule lease liabilities:	2012	2011
Less than one year	4 481	4 247
Betw een one and five years	20 592	19 450
More than five years	115 521	121 144
Total	**140 594**	**144 842**

Repayment schedule bond	2012	2011
Less than one year	-	-
Betw een one and five years	130 265	-
More than five years	-	-
Total	**130 265**	**-**

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

Note 31 - Pension liabilities

The Group had a defined benefit plan for all employees in Norway until 30 November 2012. For these employees, the fund provided a retirement pension of 66 percent of the final salary up to a maximum of 12 times the social security multiplier (“G”) after 30 years service. The scheme also provided disability-, spouse- and child pensions. This part of the Group’s pension scheme was based on calculations of future benefits paid by the Norwegian Government. In addition, the Group operates an unsecured pension scheme providing 66 percent 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). The pension scheme is managed by Höegh Pensjonskasse.

The defined benefit plan described above valid only for the employees in Norway, was discontinued on 1 December 2012 and replaced by “Defined contribution plans”. These contributions are made to the pension plan for full-time employees and equal 5-8 percent of the employee’s salary. The pension premiums are charged to expenses as they incur. A defined contribution plan is a pension plan under which the Group pays contributions into an insurance company, investment house or state organized fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

	2012	2011
Contribution expenses UK pension plan	14	10
Contribution to Central Provident Fund in Singapore	134	5
Total	**148**	**15**

The information below corresponds to pension expenses and liabilities for members of Höegh Pensjonskasse.

Assumptions used to estimate future pension liabilites	2012	2011
Discount rate of interest	2,20 %	2,60 %
Return on pension plan assets	3,60 %	4,10 %
Wage growth	3,25 %	3,50 %
Pension adjustment	0,00 %	0,10 %

Components of the net pension expenses	2012	2011
Present value of this years service costs	1 492	1 699
Interest expense on pension liabilities	354	480
Actuarial (gains) /losses	2	(25)
Expensed social security taxes	210	260
Return on pension assets	(241)	(338)
Cumulative effect due to plan changes at 1 December	(5 569)	-
Net pension expenses	**(3 752)**	**2 077**

Net pension liabilities per 31 December	2012	2011
Accrued pension liabilities as of 31 December	8 247	13 720
Pension assets (at market value) as of 31 December	(11 122)	(6 098)
Unrecognized actuarial losses	-	(710)
Cumulative effect due to regime change	3 733	-
Social security taxes	-	1 075
Net recognised pension liabilities at 31 December	**857**	**7 986**

Changes in the net pension liability are as follows	2012	2011
Net pension liability at 1 January	7 986	7 293
Cumulative effect due to regime change 1 December	(5 569)	-
Current service cost	1 492	1 699
Interest cost	354	480
Contributions by employer	(3 593)	(896)
Payroll tax	210	260
Currency (gain)/ loss	409	(225)
Benefits paid	(194)	(263)
Actuarial (gains) / losses on liability	(239)	(362)
Net recognised pension liabilities at 31 December	**857**	**7 986**

The liabilities are presented as non-current in the financial position.

No. of persons covered by the scheme	2012	2011
Active	68	62
Retired	5	2
Total	**73**	**64**

The Group does not provide any sensitivity analysis as the Defined Benefit scheme was curtailed on 1 December 2012.

The pension premiums from the Defined Contribution plan from 1 December 2012 are charged to expenses as they incur and amounted to USD 41 thousand for December 2012.

Note 32 Other long-term debt liabilities

	2012	2011
Deferred income	10 799	9 666
Total	**10 799**	**9 666**

Other long term 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 charter income received from GDF Suez as a consequence of change orders on GDF Suez Neptune and GDF Suez Cape Ann. These 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

	2012	2011
Suppliers	7 028	2 882
Public duties payable and holiday pay	4 912	3 764
Total	**11 940**	**6 646**

Outstanding trade and other payables as at 31 December 2012 fall due between 30 -180 days.

Note 34 Provisions and accruals

	2012	2011
Provision of bonus including of payroll tax	630	3 512
Prepaid charterhire	853	2 053
Other provision *	6 498	3 775
Total	**7 981**	**9 340**

* The increase in other provision mainly relates to accrued costs for mooring and newbuildings and accrued cost for the repair on Arctic Lady's stern shaft bearings. Outstanding provisions as at 31 December 2012 are estimated to fall due between 30-60 days.

Note 35 Other current financial liabilities

	2012	2011
Interest rate sw aps designated as effective hedging instruments *	19 465	18 043
Accrued interest on lease liabilities	1 614	1 672
Accrued interest on mortgage debt	2 686	2 772
Accrued interest on bond	2 361	-
Other current financial liabilities	480	1 997
Total	**26 606**	**24 484**

* 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 - Transactions with related parties

Transactions with joint ventures

Höegh LNG Ltd. 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 Ltd. to the joint ventures for 2012 and 2011.

Joint venture in which the Group is a venturer	2012	2011
Joint Gas Ltd.	41	41
Joint Gas Two Ltd.	31	31
SRV Joint Gas Ltd.	663	848
SRV Joint Gas Two Ltd.	758	713
Methane Carriers Limited	488	489
PNG Floating LNG Limited	-	83
Total	**1 981**	**2 204**

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 0.7 million as at 31 December 2012 (see Note 24) (USD 0.4 million 31 December 2011).

Transactions with other related parties

Höegh Autoliners Management AS

The Group has entered into agreements with Höegh Autoliners Management AS relating to the Group's purchase of administrative services provided by Höegh Autoliners Management AS and rent of premises.

The following table provides the aggregated amounts of administrative services for 2012 and 2011:

Administrative services from	2012	2011
Höegh Autoliners Management AS	2 436	3 157
Total	**2 436**	**3 157**

Höegh Capital Partners ASA

Höegh LNG has entered into an agreement with 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 113.9 million as at 31 December 2012. Management fee for 2012 amounted to USD 0.3 million. (USD 0.1 million in 2011).

OEC Consulting

Gunnar Knutsen is a consultant and partner with OEC Consulting AS and serves as Chief Executive Officer of Höegh FLNG Ltd. During 2012, OEC Consulting AS has rendered management consultant services for USD 4.0 million and in 2011 for USD 1.0 million.

Key Management and Board of Directors' remuneration

The remuneration to the Key management (consisting of three executives) and Board of Directors during 2012 and 2011 is presented below:

Remuneration to the Senior Management and Board of Directors:	2012	2011
Salaries	2 659	2 106
Other taxable benefits	133	120
Share based payments	555	-
Pension cost	229	220
Board of Directors' fee	243	205
Total	**3 819**	**2 650**

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 percent of the shares in Methane Ventures Limited at 31 December 2012, and the remaining 45.6 percent 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 2012. The Management's co-investment in Methane Ventures Limited has been extended beyond the initial term and now expires no later than 30 June 2015. Upon termination of the co-investment scheme, the investors in Methane Ventures 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 are 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. The bonus potential will vary between four and twelve months salary for individual members of the Management.

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 percent increase in the share price.

Leif Höegh & Co Ltd (Cyprus)

The Company has entered into a licence agreement with Leif Höegh & Co Ltd. pursuant to which Leif Höegh & Co Ltd. grants to Höegh LNG a royalty free licence for the use of 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 percent) or more of the issued shares in the Company. In the event such shareholding falls below one third, Leif Höegh & Co Ltd. may require that the Company ceases 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 percent of the net profits, which amount to USD 0.6 million in 2012. (2011: USD 0.8 million)

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

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 percent and 50 percent ownership, respectively (see Note 38), and are sub-chartered to Leif Höegh (U.K.) Limited, a wholly-owned subsidiary of Höegh LNG Ltd. As of year-end 2012, Leif Höegh (U.K.) Limited has remaining charter commitments for the two vessels of USD 268 million, specified in the table below.

Specification of bareboat hire to be paid (in million USD)	2012	2011
Within one year	21	21
Between one and five years	82	82
More than five years	166	186
Total	**268**	**289**

The Snøhvit vessels are owned by a UK lessor, respectively, 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;

	2012		2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
< 1 year	(11 855)	(11 400)	(12 015)	(11 796)
Between 1-5 years	(46 776)	(39 853)	(47 283)	(41 117)
> 5 years	(156 888)	(86 458)	(172 024)	(96 501)
Total minimum lease payments	(215 519)	(137 711)	(231 322)	(149 414)
Less finance charges	77 808		81 908	
PV of minimum lease payments	**(137 711)**	**(137 711)**	**(149 414)**	**(149 414)**

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

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 the applicable capital allowance rate and the 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.

The wholly owned subsidiary Höegh LNG Ltd. has guaranteed pro-rata according to its shareholding severally with its joint venture partners for payment obligations under the lease transaction agreements (lease agreements, time charter agreements and interest rate swap agreements). The said guarantees are counter-guaranteed by Höegh LNG Holdings Ltd. In addition, the shares in Joint Gas Two Ltd. have been pledged in favour of the lessor and all rights to the derivative assets in the company have been assigned by the joint venture partners to the lessor. Höegh LNG Ltd. has also granted a performance undertaking in favour of the lessor for the performance of Leif Höegh (U.K.) Limited under the Arctic Lady lease documents and a pro-rata Quiet Enjoyment Guarantee in favour of the time charterer for Joint Gas Two Ltd.'s performance under a Quiet Enjoyment Letter entered into with. the lessor and the time charterer.

Neptune vessels

Under the loan agreements for the financing of the Neptune vessels GDF Suez Neptune and GDF Suez Cape Ann, Höegh LNG Holdings Ltd. has guaranteed for its 50 percent guarantee obligation regarding the funding of dry docking costs and remarketing efforts in case of an early termination of the time charters entered into by SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. (the “SRV JG companies”), respectively. Höegh LNG Ltd. has further granted the financiers negative pledge of the company’s shares (current and future) in each of 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 agreements entered into by the companies to the financiers and the SRV JG companies’ bank accounts 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 percent).

STX Frontier

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

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

HöeghStream exercised an option to purchase 50 percent of STX Frontier in September 2012 with delivery latest October 2013. The vessel will be owned by a joint venture, Frontier Gas Ltd., owned 50-50 by HöeghStream and STXP. The purchase price of the 50 percent share is USD 97 million. The transaction will be financed with available cash and new debt.

FSRU newbuilding programme

Yard instalments

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

Instalment	%	Scheduled due date, Hull2548	Scheduled due date, Hull2549	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	Paid in 2012
#5 Keel laying	10	November 2012	January 2013	Paid in 2012/2013
#6 Delivery	60	At delivery 2013	At delivery 2014	To be paid

The delivered cost of the third and fourth FSRU newbuildings (Hull 2550 and Hull 2551) totals USD 580 - 620 million. An overview of the payment instalments for the said FSRU newbuildings are set out in the below table.

Instalment	%	Scheduled due date, Hull2550	Scheduled due date, Hull2551	Status
#1 Contract signing	10	February 2012	October 2012	Paid in 2012
#2 Steel cutting	10	January 2013	November 2013	Paid 2013/To be paid
#3 Keel laying	10	May 2013	March 2014	To be paid
#4 On 7 January 2014	10	January 2014	July 2014	To be paid
#5 Delivery	60	At delivery 2014	At delivery 2015	To be paid

Engineering, procurement and construction (EPC)

As part of the PGN project, Höegh LNG has entered into an EPC with SOFEC to develop a Tower Yoke Mooring Facility at Lampung. Total remaining commitment as at 31 December 2012 is approximately USD 41 million.

Klaipedos Nafta FSRU newbuilding (Hull 2549)

In November 2012, Höegh LNG Ltd. entered into a USD 250 million loan facility fully guaranteed by the Company. In addition, the facility is guaranteed by Leif Höegh (U.K.) Limited, Hoegh LNG Klaipeda, UAB and Hoegh LNG Klaipeda Pte. Ltd. In addition, all project agreements and guarantees are assigned to the financiers, all project accounts are pledged in favour of the financiers and the shares in the project companies Hoegh LNG Klaipeda, UAB and Hoegh LNG Klaipeda Pte. Ltd. are pledged in favour of the financiers.

Indonesian FSRU newbuilding (Hull 2548) / HHI FSRU newbuilding Hull 2550 (Colbún)

For part financing of the Indonesian FSRU newbuilding (Hull 2548) and HHI FSRU newbuilding Hull 2550 dedicated to the Colbún project, Höegh LNG Ltd. has entered into a USD 288 million facility. No drawdown has been made under this facility as to date. Höegh LNG Holdings Ltd. guarantees the borrower’s obligations under the loan agreement up to an amount of USD 345.6 million.

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, and trust agreement.

For the Indonesian FSRU project, Standard Chartered Bank (SCB) has issued a Letter of Credit in the amount of USD 10,700,000 in favour of PT Perusahaan Gas Negara (Persero) Tbk 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.

Port Dolphin

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

Note 38 List of subsidiaries and joint ventures

Company	Registered Office	Country	Principal activity	Ownership in % 2012	2011
Subsidiaries:					
Höegh LNG Ltd.	Hamilton	Bermuda	Holding	100	100
Höegh LNG AS	Oslo	Norw ay	Management	100	100
Höegh LNG Fleet Management AS	Oslo	Norw ay	Ship management	100	100
Leif Höegh (U.K.) Limited	London	England	Ship management	100	100
Hoegh LNG Asia Pte. Ltd.	Singapore	Singapore	Business dev.	100	100
Höegh Fleet Services Rijeka d.o.o[1]	Rijeka	Croatia	Crew ing Agency	100	100
Port Dolphin Energy LLC	Delaw are	USA	Business dev.	100	100
Port Dolphin Holding Company, LLC	Delaw are	USA	Holding	100	100
Compressed Energy Technology AS	Oslo	Norw ay	Business dev.	100	100
HöeghStream LNG Ltd	Georgetow n	Cayman Isl.	Management	100	100
Methane Ventures Limited	Road Tow n	Br. Virgin Isl.	Investment	54,3	54,3
Höegh FLNG Ltd.	Hamilton	Bermuda	FLNG business	100	-
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Singapore	Shipow ning	100	-
Hoegh LNG Klaipeda, UAB	Vilnius	Lithuania	FSRU Operation	100	-
Hoegh LNG Lampung Pte. Ltd	Singapore	Singapore	Holding	100	-
Frontier Gas Ltd.	Georgetow n	Cayman Isl.	Shipow ning	100	
Joint Ventures:					
Joint Gas Ltd.	Georgetow n	Cayman Isl.	Shipow ning	34	34
Joint Gas Tw o Ltd.	Georgetow n	Cayman Isl.	Shipow ning	50	50
Methane Carriers Ltd.	Nassau	Bahamas	Shipow ning	50	50
SRV Joint Gas Ltd.	Georgetow n	Cayman Isl.	Shipow ning	50	50
SRV Joint Gas Tw o Ltd.	Georgetow n	Cayman Isl.	Shipow ning	50	50
PNG Floating LNG Holdings Limited	Singapore	Singapore	Holding	33	33
PNG Floating LNG Limited	Singapore	Singapore	Business dev.	[33][2]	[33][2]

1] Under liquidation.

2] PNG Floating LNG Holdings Limited owns 100 percent of the shares in PNG Floating Limited.

Port Meridian Energy Ltd was sold to West Face Capital on 11 October 2012 (see Note 19).

Investments in joint ventures

The Group holds 33.98 percent 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 (U.K.) Limited. The Group holds 50 percent 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 (U.K.) Limited for a period of 25 years. The Group holds 50 percent in Methane Carriers Limited which is the owner and operator of Norman Lady. The vessel is on term time charter with Gas Natural Trading SGD, S.A. for a firm period of 1 year starting in September 2012 with an optional period of 2 years.

The Group holds 50 percent in 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 percent in SRV Joint Gas Two Ltd., 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 percent of total shares in PNG Floating LNG Holdings Limited. The holding company owns 100 percent PNG Floating LNG Limited.

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

Note 39 Subsequent events

There are no subsequent events to report as of 20 March 2013.

FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. FOR THE YEAR ENDED 31 DECEMBER 2012

Statement of comprehensive income for the year ended 31 December 2012

USD'000	Notes	2012	2011
Administrative expenses	3	(3 018)	(2 693)
Operating result		**(3 018)**	**(2 693)**
Interest income	4	16 936	9 619
Interest expenses	13	(2 464)	(5)
Income from other financial items	6	2 178	448
Expenses from other financial items		(296)	(1)
Profit for the year before tax		**13 335**	**7 368**
Tax		-	-
Profit for the year after tax		13 335	7 368
Other comprehensive income	7	(2 845)	-
Total comprehensive income (loss) of the year		**10 490**	**7 368**

Statement of financial position
for the year ended 31 December 2012

USD'000	Notes	2012	2011
Assets			
Non-current assets			
Shares in group companies	8	157 156	106 122
Intercompany receivables	9	358 663	156 934
Other receivables		22	107
Other non-current financial assets	10	1 627	-
Total non-current assets		**517 467**	**263 163**
Current assets			
Prepayments		138	-
Marketable securities (See note 25 in Group accounts)		113 877	90 098
Cash and cash equivalents	11	83 439	12 899
Total current assets		**197 453**	**102 997**
TOTAL ASSETS		**714 921**	**366 160**
Equity and liabilities			
Equity			
Share capital	12	698	470
Share premium reserve		344 198	142 488
Hedging reserves		(2 845)	-
Other paid in equity (See note 16 in Group accounts)		1 034	-
Retained earnings		236 347	223 011
Total equity		**579 433**	**365 969**
Non-current liabilities			
Bond	13	132 788	-
Total current liabilities		**132 788**	**-**
Current liabilities			
Accrued interest Bond	13	2 361	-
Intercompany payables		-	191
Trade creditors		339	-
Total current liabilities		**2 700**	**191**
TOTAL EQUITY AND LIABILITIES		**714 921**	**366 160**

HAMILTON/STOCKHOLM, 20 MARCH 2013

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 2012

USD'1000	Share capital (Note 12)	Treasury shares	Share premium reserve	Other paid in equity	Hedging reserves	Retained earnings	**Total equity**
At 31 December 2010	**271**	**(1)**	**3 561**	**-**	**-**	**215 643**	**219 474**
Cancellation of Treasury Shares (3 May 2011)	(1)	1	-	-	-	-	-
Issue of shares (Shares swap 17 June 2011)	12	-	12 687	-	-	-	12 699
Issue of Shares (30 June 2011)	170	-	119 819	-	-	-	119 990
Issue of Shares for Greenshoe 9 August 2011	17	-	11 805	-	-	-	11 822
Transaction costs IPO	-	-	(5 385)	-	-	-	(5 385)
Total comprehensive income 2011	-	-	-	-	-	7 368	7 368
At 31 December 2011	**470**	**-**	**142 488**	**-**	**-**	**223 011**	**365 969**
Issue of share capital (3 February 2012)	226	-	206 367	-	-	-	206 593
Issue of share capital (22 March 2012)	2	-	2 071	-	-	-	2 074
Issue of share capital (30 August 2012)	-	-	60	-	-	-	60
Share based payment (See note 16 in Group accounts)	-	-	-	1 034	-	-	1 034
Transaction costs	-	-	(6 788)	-	-	-	(6 788)
Total comprehensive income 2012	-	-	-	-	(2 845)	13 335	10 490
At 31 December 2012	**698**	**-**	**344 198**	**1 034**	**(2 845)**	**236 347**	**579 433**

Statement of cash flows
for the year ended 31 December 2012

USD'000	Notes	2012	2011
Operating activities:			
Profit of the year		13 335	7 368
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments on marketable securities	5	(2 178)	1 027
Realized (gains) on from marketable securities	5	-	(1 125)
Issued shares as Board of Directors' fee		60	
Interest income	4	(16 936)	(9 619)
Interest expenses	13	2 464	5
Working capital adjustments			
Changes in accounts receivable and payable		51	1 961
Net cash flow from operating activites		**(3 204)**	**(382)**
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	183 400	-
Purchase of marketable securities	5	(205 000)	(90 000)
Interest received		43	44
Acquisition of shares in Group companies	8	-	(47)
Sale of shares in Group companies		-	239
Net cash flow used in investing activities		**(21 558)**	**(37 818)**
Financing activites:			
Issue of share capital	12	208 667	131 813
Proceeds from borrowings / bond		130 264	-
Transaction costs bond		(2 050)	-
Transaction cost of issue of shares	12	(6 788)	(5 385)
Payment of intercompany borrowings		(234 792)	(78 178)
Net cash flow used in financing activities		**95 301**	**48 250**
Net increase/(decrease) in cash and cash equivalents		70 540	10 050
Cash and cash equivalents at 1 January		12 899	2 849
Cash and cash equivalents at 31 December	11	**83 439**	**12 899**

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 Group, Höegh LNG Holdings Ltd.

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) Financial instruments

The Company 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 and are effective hedging instruments, are separated into a current and non-current portion consistent with the classification of the underlying item.

L) Current versus non-current classification

The Company's recognition of current and non-current items in the financial position is determined by maturity of less and more than 12 months, respectively. Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made. When the Company expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

M) 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.

N) 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 Admistrative expenses

USD'000	2012	2011
Remuneration to Board members	160	120
Travelling costs	26	106
Audit fees	378	342
Legal fees	626	1 607
Consultants	317	81
Insurance premiums	46	46
Company management fees	1 459	148
Miscellaneous	7	243
Total	**3 018**	**2 692**

Note 4 Interest income

USD'000	2012	2011
Interest on intercompany loan to Höegh LNG Ltd.	16 603	8 826
Interest on loan to Methane Ventures Limited	289	180
Interest on loan to Aequitas Investments Limited	-	530
Other interest income	44	83
Total	**16 936**	**9 619**

For outstanding interest bearing receivables see Note 9. Reference is made to Note 15 for transactions with related parties.

Note 5 Marketable securities

Refer to Note 25 in the consolidated accounts.

Note 6 Income from other financial items

USD'000	2012	2011
Gain on marketable securities (See Note 5)	2 178	98
Gain on sale of shares in Group companies	-	64
Currency gain	-	286
Total	**2 178**	**448**

Note 7 Other comprehensive income

USD'000	2012	2011
Change in carrying value of bond	(4 472)	-
Change in fair value of actual sw ap	1 627	-
Total	**(2 845)**	**-**

The Bond of NOK 750 million, see Note 13, has been re-measured by USD 4.5 million during the last quarter due to the weakening USD rate against NOK. The transaction loss on the debt is completely offset by the gain reclassified from the separate component of the equity hence there are no fluctuations in the income statements as a result of changes in foreign currency rates.

The bond carries an interest rate of 3 months NIBOR plus a coupon of 6 percent. Höegh LNG Holdings Ltd. has entered into a cross currency interest rate swap from NOK to USD and from a floating to a fixed interest rate of 7.3 percent. As per year end there is a positive change in the fair value of the swap of USD 1.6 million.

Note 8 Shares in group companies

USD'000	2012	2011
Cost at 01.01	106 122	93 551
Acquisition of shares in Methane Ventures Limited	-	47
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 Ventures Limited of ow nership in Höegh LNG Ltd.	-	12 699
Repayment of capital from Höegh LNG Ltd	(41 482)	-
Conversion of shareholders loan to Höegh LNG Ltd. to paid-in capital (see Note 11)	50 000	-
Acquisition of shares in Höegh FLNG Ltd.	41 482	-
Share based payments	1 034	-
Cost at 31 December	**157 156**	**106 122**

Carrying amount per group company at 31 December	2012	2011
Höegh LNG Ltd.	114 844	105 292
Methane Ventures Limited	830	830
Höegh FLNG Ltd.	41 482	-
At 31 December	**157 156**	**106 122**

The Company has during 2012 increased its investment in Höegh LNG Ltd. by USD 8.5 million. The Group has transferred all assets and liabilities' relating to its FLNG business to a wholly owned subsidiary, Höegh FLNG Ltd.. The subsidiary operates with effect from 1 January 2013 as a stand-alone entity and has been capitalized with a share capital of USD 41.5 million. The process of securing new investor(s) in Höegh FLNG Ltd. is progressing and expected to be completed within the first half of 2013.

Group company	Registered office	Ownership share	Book equity 31 Dec. 2012	Book equity 31 Dec. 2011	**Carrying amount**
Höegh LNG Ltd.	Bermuda	100,00%	79 457	73 587	114 844
Methane Ventures Limited	BVI	54,37%	3 260	3 569	830
Höegh FLNG Ltd	Bermuda	100,00%	37 242	-	41 482

There is no impairment charge recognized on investments in Group companies.

Note 9 Non-current interest bearing receivables

USD'000	2012	2011
Intercompany receivables Höegh LNG Ltd.	354 238	154 599
Intercompany receivables Methane Ventures Limited	4 424	2 335
Value at 31 December	**358 663**	**156 934**

An intercompany loan agreement with Höegh LNG Ltd. was entered into on 30 January 2009 with a facility up to USD 50 million in aggregate at an interest rate of 8 percent p.a.

Repayment of this facility shall be done in one or several amounts as agreed between the Company and Höegh LNG Ltd. In January 2010 and September 2011, the facility was increased by addendums no 1 and 2, respectively, to USD 90 million and USD 200 million, respectively. In August 2012, the facility was increased further to USD 400 million to give sufficient head room for the Company to fund the instalments relating to FSRUs Hull 2548, – Hull 2549 and Hull 2550 to Hyundai Heavy Industries Co Ltd. through the first quarter 2013, totalling USD 157 million.

The interest rate of the facility has been changed from 8 percent to a margin of 2.5 percent plus 3 months LIBOR, which is equivalent to the interest rate applied for other inter-company debt of this nature within the Group.

On 3 September 2009 Methane Ventures Limited was granted an option to purchase shares in Höegh LNG Ltd. On 30 October 2009 this option was exercised and Methane Ventures Limited purchased from the Company 140,000 shares in Höegh LNG Ltd. for a total consideration of USD 1,961,200. An intercompany agreement reflecting the purchase price was entered into on this date at an interest of 8 percent p.a. The loan shall together with accrued interest be repaid by Methane Ventures Limited in one or several amounts upon 10 days written request from the Company.

See Note 4 for recognition of interest income and Note 15 for transactions with related parties.

Note 10 Total non-current financial assets

USD'000	2012	2011
Interest rate swaps - designated as hedge reserve	1 627	-
Value at 31 December	**1 627**	**-**

Höegh LNG designates the CCIRS as cash flow hedges of its exposure to changes in its functional currency rates against NOK equivalent cash flow on the debt, and its exposure to changes in interest rates. Höegh LNG has entered into three swap agreements (Nordea, DNB and SEB) which in total comprise one hedge instrument which is the designated derivative.

The CCIRS is a cash flow hedge as the Company has swapped from a floating interest NOK loan to a fixed interest functional currency loan in USD, and is hedged of the exposure to the variability of cash flows. The exposure is attributable to a particular risk associated with a recognized liability being future interest payments on a variable rate debt in NOK. The effective portion of the gain/(loss) on the hedge instrument (CCIRS) is recorded in equity over OCI and ineffective portion is recorded as a financial element (in profit or loss).

Note 11 Cash and cash equivalents

Current cash by currency as of 31.12

Currency	Exchange rate	2012	Exchange rate	2011
US Dollars (USD)	1	82 831	1	8 015
Norwegian Kroner, NOK	5,57	608	5,99	4 884
Total		**83 439**		**12 899**

Note 12 Share capital

Number of shares	Par value	2012	2011
Total number of share authorized	USD 0,01	75 000 000	75 000 000
Total number of share issued and fully paid	**USD 0,01**	**69 885 519**	**47 009 170**

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
Share issue 3 february 2012	22 641 509	0,01
Share issue 22 March 2012	226 536	0,01
Share issue 30 August 2012	8 304	0,01
Shares and share capital at 31 December 2012	**69 885 519**	**698 855**

The Company has one class of shares. The Board has not proposed any dividend to be paid for the year 2012. On 3 February 2012 Höegh LNG Holdings Ltd. completed a private placement raising USD 206.4 million in gross proceeds through the issuance of 22.641,509 new shares, each at a subscription price of NOK 53 per share.

A subsequent repair offering followed on 22 March 2012 where Höegh LNG Holdings Ltd. issued 226,536 new shares at NOK 53 per share, raising USD 2.1 million in gross proceeds.

Transaction costs of USD 6.8 million, relating to these two issuances have been recorded against share premium. On 30 August 2012, the share capital was increased by USD 83.04, from USD 698,772.15 to USD 698,855.19, by issuing 8,304 new shares. The new number of issued shares is 69,885,519.

The shares were issued at a subscription price of NOK 43.20 as remuneration to some of the Company's Directors.

Note 13 Bond

USD'000	2012	2011
Bond	134 737	-
Arangment fees bond	(1 949)	-
Value at 31 December	**132 788**	**-**

On 3 October 2012, the Company successfully completed the issuance of a senior unsecured bond issue of NOK 750 million in the Norwegian bond market with maturity date expected to be 3 October 2017. The bond carries 3 months NIBOR plus a coupon of 6 percent. Following a cross currency interest rate swap, the repayment obligation is USD 130.3 million, while the interest rate has been fixed at 7.3 percent.

Interest on the bond has been expensed in the amount of USD 2.5 million for the period 1 October to 31 December 2012.

Note 14 Financial risk management objectives and policies

Capital Management

As the parent company of the Höegh LNG 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.

As part of the Group's long-term capital management strategy, the shares in Höegh LNG Holdings Ltd. was in June 2011 listed at the Oslo Stock Exchange. The Company has raised a total of USD 340 million in new equity since June 2011 to facilitate its current expansion within regasification. It raised USD 130 million in connection with the IPO and USD 200 million in a follow-on share issue in February 2012. The Company will in due course consider coming back to the equity capital markets for additional funding to facilitate further growth, as the Company is considering the establishment of a Master Limited Partnership ("MLP") to be listed in the US.

Höegh LNG Holdings Ltd. issued in 2012 a NOK 750 million senior unsecured corporate bond in the Norwegian bond market. The bond is listed at the Oslo Stock Exchange. This is the first bond issue made by the Company and represents a well received expansion of the funding sources available to the Company. Proceeds from the bond issue are intended for general corporate purposes and as equity in projects.

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 (foreign exchange and interest rate risks)

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.

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 that exists relates mainly to administrative expenses denominated in NOK, SGD and GBP, of which NOK represents the largest exposure. The NOK 750 million corporate bond issued in 2012 has been swapped to 100 percent into USD and does not represent any currency risk to the Company.

Fair values

USD'000	Carrying amount		Fair value	
Financial assets	**2012**	**2011**	**2012**	**2011**
Financial instruments at fair value through profit or loss				
Marketable securities	113 877	90 098	113 877	90 098
Derivatives in effective cash flow hedges	1 627	-	1 627	-
Loans and receivables				
Interest bearing receivables	358 663	157 041	358 663	157 041
Cash and cash equivalents	83 439	12 899	83 439	12 899
Total	**557 605**	**260 038**	**557 605**	**260 038**
Total current	**197 316**	**102 997**	**197 316**	**102 997**
Total non-current	**360 290**	**157 041**	**360 290**	**157 041**

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 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.
- Since the Bonds issued by the Company (HLNG01) are listed on Oslo Børs, fair value of bonds are disclosed based on traded information (101 percent on 31 December 2012.)

USD'000	Carrying amount		Fair value	
Financial liabilities	**2012**	**2011**	**2012**	**2011**
Trade and other payables	-	191	-	191
Bond	132 788	-	133 723	-
Total	**132 788**	**191**	**133 723**	**191**
Total current	**-**	**191**	**-**	**191**
Total non-current	**132 788**	**-**	**133 723**	**-**

Fair value hierarchy

Refer to Note 26 in Group accounts for fair value hierarchy

.

Note 15 Related party transactions

Payable to related party	2012	2011
Subsidiary		
Höegh LNG AS	-	191

Receivables against related party	2012	2011
Subsidiary		
Höegh LNG Ltd.	354 238	154 599
Methane Ventures Limited	4 424	2 335

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

Interest income from related party	2012	2011
Subsidiary		
Höegh LNG Ltd.	16 603	8 826
Methane Ventures Limited	289	180
Other related party		
Aequitas Investments Limited	-	530

The Company has received administrative services in the amount of USD 1.5 million in 2012 from the subsidiary Höegh LNG AS (2011: USD 0.2 million).

Other related parties

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

Note 16 Share-based payments

Refer to Note 16 in Höegh LNG Group accounts for share based payments costs.

Note 17 Events after balance sheet date

Refer to Note 39 in Höegh LNG Group accounts for events after balance sheet date.

Note 18 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 2012 (Annual Report 2012).

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 2012 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 2012 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, 20 MARCH 2013

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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Medlemmer av Den norske Revisorforening

ERNST & YOUNG
Quality In Everything We Do

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, 2012, 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, 2012, 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 20, 2013
ERNST & YOUNG AS

Sondre Kvaalen,
State Authorised Public Accountant (Norway)

CORPORATE GOVERNANCE REPORT

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

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 (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 the **"HLNG Corporate Governance Policy"**).

Through compliance with the HLNG Corporate Governance Policy as 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 the affairs of the Company, which are of importance for assessing the Company's development and 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 2012 was USD 698,855.19 consisting of 69,885,519 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 2012 was USD 343,9 million. The Board regards the current 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 maximise 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, and 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 ar-

rangement 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 of Directors 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 percent 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 of directors. The Bye-laws 19 to 24 sets out extensive rules of procedures with regard to notices, general meetings to be held 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

At the 2012 annual general meeting, a nomination committee composed of three (3) members was elected. The members are Stephen Knudtzon (chairman), Barry Norris (member) and Morten W. Høegh (member). Stephen Knudtzon and Barry Norris are independent of the Board and the executive personnel of the Company. Barry Norris represents Argonaut Capital, which was the second largest shareholder at the time of the 2012 Annual General Meeting. Morten W. Høegh, Chairman of the Board of Directors, is independent of the executive personnel of the Company. He represents the largest shareholder of the Company, Leif Höegh & Co Ltd.

At the 2012 annual general meeting, revised guidelines for the nomination committee were adopted.

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 20-21 of the Annual Report.

All Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10 percent of the shares in the Company), except for Leif O. Høegh, who is an indirect shareholder in Leif Höegh & Co Ltd. being the majority shareholder in the Company, and Morten W. Høegh, who is the primary beneficiary under a family trust that is an indirect shareholder of Leif Höegh & Co. Ltd. In addition Guy D. Lafferty is employed by Höegh Capital Partners and is an advisor to the Høegh family.

In 2012, the Board had four regular board meetings, where all directors were present (save for absence by Cameron Adderley and Guy D. Lafferty in one meeting each and Timothy Counsell in three meetings). The Board had also five interim board meetings, with Timothy Counsell attending all, Cameron Adderley attending four meetings and his alternate director Tammy Richardson-Augustus attending one meeting. In addition, the Board had a strategy seminar, where all Directors save for Timothy Counsell participated.

The Company has appointed two board committees; an audit committee ("Audit Committee") and a 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, each member being elected for a period in office of one year. The 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, each member being elected for a period in office of one year. The 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.

In connection with the private placement in February 2012, the Board appointed a Capital Increase Committee. The members of the Capital Increase Committee were Morten W. Høegh, Ditlev Wedell-Wedellsborg, Guy D. Lafferty, Timothy Counsell and Cameron Adderley. The Capital Increase Committee had four meetings.

During the process of establishing Höegh FLNG Ltd., the Board appointed a Holdings FPSO Committee. The members of the Holdings FPSO Committee were Morten W. Høegh, Guy D. Lafferty, Cameron Adderley, Ditlev Wedell-Wedellsborg and Timothy Counsell. The Holdings FPSO Committee had one meeting.

Morten W. Høegh, Leif O. Høegh, Guy D. Lafferty, Jon Erik Reinhardsen, Andrew Jamieson and Ditlev Wedell-Wedellsborg each own directly or indirectly shares in the Company.

Bye-law 25 regulates 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 the authorities and extent of decisions to be resolved by each business unit, the president and the Board through the Company's Decision Guides.

The work of the 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 Board is kept updated on management and Group activities through reporting systems, including monthly and quarterly financial statements. The Audit Committee pays special attention to financial risk management.

The Group is also subject to extensive external control by its auditors, external owners in joint ventures and charterers.

The management monitors that the Group acts in accordance to applicable law and regulations.

The Company has implemented a Quality Management System ("**QMS**") specified to demonstrate capability to plan, and 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 are all 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 Audit Committee has the responsibility to oversee and assess the internal control and external audit activities and reports to the Board. Further, the Audit Committee's responsibilities include:

- Reviewing the financial statements of the Company and the Group.
- Discussing with management and the external auditor the quality and adequacy of the Group's internal controls for managing business, financial and regulatory risk.
- Discussing with management the status of pending litigation, taxation matters and other areas related to the legal and compliance area as may be appropriate related to financial issues.
- Reviewing annually the Audit Committee's charter.

In discharging its responsibilities the Audit Committee shall have full access to all books, records and personnel of the Company and the Group.

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 (including the Group's policies on ethics, conflicts of interest and competition law compliance and the committee charter) and recommend improvements.
- Conducting a formal evaluation of the executive personnel annually and assessing the Company's and the Group's compensation and benefits strategy for its executive personnel and the Group's succession plan.
- Reviewing annually the Board of Directors, including its performance, working methods and practices.
- Arranging an annual assessment of the decision making process in the Company and the Group.

11 / Remuneration of the board of directors

The remuneration of the Board in 2012 was at total of USD 159,294 including issuance of 1,384 shares, constituting a remuneration of USD 10,000 to each of Morten W. Høegh, Leif O. Høegh, Guy D. Lafferty, Jon

Erik Reinhardsen, Andrew Jamieson and Ditlev Wedell-Wedellsborg.

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 Leif Höegh (UK) Ltd.

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 stock options and a bonus scheme. The purpose of the bonus scheme is to (a) drive performance and motivation; (b) maintain a "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. In addition, the Company has a co-investment vehicle for key personnel.

Further details on executive remunerations are provided in Note 36 on page 78 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 include guidelines in order to secure disclosure in accordance with the financial calendar adopted by the Board.

Outside of the general meeting, contact with the shareholders is handled by the Company's management, mainly the CEO, CFO and Head of IR, which aims at maintaining an active dialogue with the investor market and other relevant interested parties. In 2012, the Company conducted 277 meetings with investors, held 11 conference presentations and 13 broker presentations.

The Company complies with the Oslo Børs Code of Practice for Reporting IR Information, save as follows: The Company publishes interim report as soon as possible, and has an aim to publish the reports no later than on the 15th day of the second month after the end of the quarter. However, this is due to internal procedures not always obtainable.

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 take-over 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.

SHARES AND SHARE CAPITAL

Shares

The issued share capital in the Company at year-end 2012 was USD 698,855.19 consisting of 69,885,519 fully paid common shares, each with a nominal value of USD 0.01. The Company has only one class of shares.

Dividend policy

Due to the on-going investment programme and also restrictions in the bond agreement, the Company does not envisage paying dividends before 2015. From 2015, the Company will seek to pay dividends based on the long-term charter agreements, financial and borrowing conditions, capital expenditure, market prospects, and investment opportunities and is subject to the Company's Bye-law 37 and Bermuda law.

Management stock option programme

Since 2012, Höegh LNG has operated a stock option programme for senior management. As at the end of 2012, 769 000 options were outstanding, all with a strike price of minimum NOK 53 per share. The options will vest with one third on 31 December 2013, 2014 and 2015 respectively and the options expire in 2016. The programme is described in detail in the notes to the financial statements.

Shares and share capital

The Company's shares have been listed on the Oslo Stock Exchange since 2011. In 2012, a total of 59.1 million Höegh LNG shares were traded on or reported to the Oslo Stock Exchange, compared with 2.6 million from the IPO in July to the year end 2011.

The Company shares are also traded on other markets, such as BOAT and London Stock Exchange. In 2012, a total of 5.3 million Höegh LNG shares were traded on or reported to these and other platforms combined. BOAT was the largest with 3.3 million shares traded, followed by London Stock Exchange with 1.3 million.

In total 64.4 million shares were traded in 2012. On average, each share was traded 1.1 times in 2012.

The Company's share price was NOK 46.60 on 28 December 2012, corresponding to a market capitalisation of USD 585 million. This compares to a share price of NOK 51.93 on 30 December 2011. The highest price in 2012 was NOK 61.91 on 1 February, and the lowest price was NOK 38.00 on 16 and 22 November.

On 3 February 2012, the Company completed a private placement raising USD 206 million in gross proceeds through the issuance of 22 641 509 new shares, each at a subscription price of NOK 53.00 per share. A subsequent offering followed on 22 March 2012 when 226 536 new shares were issued at NOK 53.00 per share, raising gross proceeds of USD 2.1 million. On 30 August 2012, 8 304 shares were issued at a subscription price of NOK 43.20 as remuneration to some of the Company's Directors. The share capital was thereby increased to USD 698 855.19.

The Company's authorised share capital is USD 1 500 000 consisting of 150 000 000 common shares of par value USD 0.01.

Key Management owns 45.6 percent of Methane Ventures Limited. The remaining shares are held by Höegh LNG Holdings Ltd. Methane Ventures Limited owns 1 211 738 shares in Höegh LNG Holdings Ltd. (1.73 percent).

Apart from shares held indirectly by Methane Ventures Limited, the Company has not held any treasury shares since the IPO in 2011.

On 28 December 2012, the largest shareholder was Leif Höegh & Co. Ltd., with an ownership interest of 44.4 percent. On 31 December 2012, foreign ownership (outside Norway) was 80 percent, compared with 90 percent on 31 December 2011. Only Leif Höegh & Co. Ltd. owns more than five percent.

The Company had 1 105 shareholders on 28 December 2012, of which 161 resided outside Norway.

Financial calendar for 2013

- 15 January: Capital markets day
- 15 February: Q4 2012 financial report
- 22 May: Annual general meeting
- 24 May: Q1 2013 financial report
- 28 August: Q2 2013 financial report
- 19 November: Q3 2013 financial report

KEY FIGURES RELATED TO SHARES

DEFINITIONS	2012	2011
Nominal value (USD/share)	**0.01**	0.01
Average number of shares excluding shares held in treasury	**66 879 188**	36 346 214
Net earnings per share after tax	**0.13**	(0.48)
Number of shares at 31 December	**69 885 519**	45 797 432
Share price high (NOK)	**61.91**	54.92
Share price low	**38.00**	34.95
Share price 31 December	**46.60**	51.93
Trading volume (Oslo Stock Exchange)	**59 068 919**	2 633 987
Number of shareholders 31 December	**1105**	447
Number of foreign shareholders 31 December	**161**	65
Foreign shareholding 31 December (%)	**80.00**	89.90
Market value (USD million)	**585**	410

MEMBERS OF CORPORATE BODIES

Ownership as at 31 December 2012	Shares	Options	Methane Ventures[2]
Morten W. Höegh (Chairman)	1 384		
- Leif Höegh & Co. Ltd.[1]	31 027 210		
Leif O. Høegh (Deputy Chairman)	1 384		
- Leif Höegh & Co. Ltd.[1]	31 027 210		
Cameron Adderley	-		
Timothy J. Counsell	-		
Ditlev Wedell-Wedellsborg	1 384		
- Niki Invest Aps	8 800		
Guy D. Lafferty	1 384		
- Interstellar Enterprises Limited [3]	67 060		
Jon Erik Reinhardsen	22 714		
Andrew Jamieson	1 384		

Nomination Committee

Stephen Knudtzon (Chairman)	10 500		
- Gerd Ragnild Knudtzon (wife)	414		
Barry Norris	-		
- Funds managed by Argonaut Capital	369 182		
Morten W. Höegh (Chairman)	1 384		
- Leif Höegh & Co. Ltd.[1]	31 027 210		

Auditor

Ernst & Young AS	-		

Management

Sveinung J.S. Støhle (President and Chief Executive Officer)	5 946	200 000	249 000
Stephan Tschudi-Madsen (Chief Operating Officer)	2 276	70 000	70 000
Steffen Føreid (Chief Financial Officer)	414	70 000	70 000
Vegard Hellekleiv (Senior Vice President)	1 972	35 000	30 000
Geirmund Aasbø (Senior Vice President)	6 972	35 000	10 000
Camilla Nyhus-Møller (Senior Vice President)	-	17 000	5 000
Ivar Grøneng (Vice President)	-	17 000	
Ragnar Wisløff (Managing Director of Höegh LNG Asia Pte. Ltd.)	2 625	35 000	50 000
Gunnar Knutsen (Chief Executive Officer of Höegh FLNG Ltd.)	2 631		-

1. Leif Höegh & Co. Ltd. is indirectly majority controlled by Leif O. Høegh and a family trust under which Morten W. Høegh is the primary beneficiary.

2. Methane Ventures Ltd. owns 1 211 738 shares in Höegh LNG Holdings Ltd. and is a co-investment vehicle for Höegh LNG's management. Höegh LNG Holdings Ltd. owns 54.4 % of the shares in Methane Ventures Limited.

3. Interstellar Enterprises Limited owns 67 060 shares in Höegh LNG Holdings Ltd. and is a trust where Guy D. Lafferty is the principal beneficiary.

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