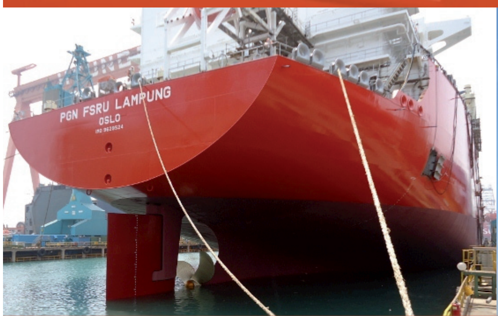
HÖEGH LNG

THE FLOATING LNG COMPANY



ANNUAL REPORT

2013

ANNUAL REPORT HÖEGH LNG 2013

GROWTH AHEAD

During the year, Höegh LNG has focused on preparations for taking delivery of its four new built FSRUs and to commence operation on its projects. The company has raised USD 731 million in long term financing and with this funding completes its existing investment program. The increasing demand for natural gas and FSRUs combined with Höegh LNG's leading position in the market, gives the company a strong platform for future growth.

In 2013, Höegh LNG entered the last stage of the construction phase for its four new built FSRUs, and I am proud to say that both vessels and projects are on time and on budget. The first vessel is currently in transit to site, offshore Lampung, Indonesia, where a Tower Yoke mooring system that is part of our scope is already installed. The project is on schedule to commence operation in June. The four new built FSRUs represent a significant increase to our existing fleet and we have therefore focused our efforts on preparing the organisation and crew for taking delivery of these vessels.

Over the year Höegh LNG secured USD 731 million in new long term financing at competitive terms. With these facilities in place, the FSRU new building programme is fully funded.

In parallel, the company has actively participated in a growing number of FSRU tender processes worldwide and I expect to see positive outcome of this work in 2014. On FLNG, the company has developed a smaller, fast-track, less capital intensive and generic Barge FLNG design. The new design has been marketed towards potential clients and the response has been positive.

The global LNG production volumes are increasing and approximately 100 million tons per year of new capacity will enter the market over the next three years, underpinning the high number of FSRU projects that are being planned worldwide. The most common strategic rationale for FSRU projects are to reduce costs by replacing expensive fuel like gasoil with LNG, to meet increased demand for energy and to secure alternative supply sources for natural gas. With available FSRUs, proven FSRU experience and a leading position in the FSRU market, Höegh LNG is well positioned to take advantage of the growth in this market. The growth in the market will also create demand for a large number of new LNG carriers, and even though this market is oversupplied in the short term, the market will come back into balance in a longer perspective, which would bring additional opportunities to the company.

Looking ahead, the company's strategy is to continue to focus its growth plans on the FSRU market, with the objective to secure long-term contracts with strong counterparts at attractive returns. We will continue to market our new Barge FLNG design, and the target is to place an order for the first unit by the end of 2014.Finally, the company will consider participating in the LNG carrier market in the longer term perspective.

Sveinung J.S. Støhle
President and Chief Executive Officer

DIRECTORS' REPORT FOR 2013

During 2013, Höegh LNG continued the expansion within floating regasification. The construction of four newbuild FSRUs at Hyundai Heavy Industries progressed according to plan with three deliveries scheduled by mid 2014. Preparations for the commencement of the FSRU projects in Lithuania and Indonesia progressed according to plan with a scheduled start up during the fourth and second quarter 2014, respectively. During the year including subsequent events, the Company secured USD 731 million of new financing making the FSRU newbuilding programme fully funded.

The Group's operations and fleet

Höegh LNG Holdings Ltd. (the "Company"), its subsidiaries and joint ventures ("Höegh LNG" or the "Group") is a provider of floating LNG services, offering floating liquefaction, transportation and regasification services under long term contracts. The client base comprises 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), Jakarta (Indonesia), Tampa (USA) and Singapore, as well as a site team in South Korea. Management of the Group is performed by Höegh LNG AS in Oslo, Norway. Höegh LNG operates world-wide and is one of the most experienced operators of LNG carriers, one of only three established FSRU operators and a leader in the development of floating liquefaction solutions (FLNG).

As of 31 December 2013, the Company operated a fleet of two FSRUs and four LNG carriers. Four of the vessels were on long term charter with Statoil, Total and GDF Suez with an average remaining life of 14 years, one was on a short-term time charter to Gas Natural ending 31 December 2014 and one was operated on behalf of a third party. During the year, the Company discontinued the operation of two LNG carriers, of which one was sold for green recycling and one was returned to its owner.

Höegh LNG has four newbuild FSRUs on order at Hyundai Heavy Industries ("HHI") in South Korea due for delivery in 2014 and 2015. The first newbuild FSRU is scheduled for delivery from the yard in April 2014. The vessel will commence operations under a 10 year time charter with Klaipedos Nafta in Lithuania during the fourth quarter 2014 and is currently being marketed for employment in the interim period. The second newbuild FSRU is scheduled to be delivered in April 2014. The vessel will go directly to the operating site and commence operations under a 20 year contract with PGN in Indonesia during the second quarter 2014. The third and fourth newbuild FSRUs are scheduled for delivery during the third quarter 2014 and first quarter 2015, respectively. The vessels are currently without contract and being marketed to projects world-wide.

Höegh LNG's vision is to become a market leader within floating LNG services. The strategy of the Company is to offer the complete chain of floating LNG services and to own and operate newbuild assets under long term contracts. The speculative ordering of the newbuild FSRUs has proven to be a successful strategy strengthening the competitive position of the Company. Höegh LNG is further investing in the development of a floating LNG liquefaction solution (FLNG). The Company is focusing on near shore liquefaction of pipeline-gas using barge based FLNG solutions, and is considering various options in capitalizing the business. The Company will also consider allocating capital for expansion within conventional LNG shipping, provided this can be done back-to-back with the award of a medium to long term employment contract.

Market

According to the International Energy Agency ("IEA"), natural gas is the world's fastest growing fossil fuel, with consumption expected to increase by 64% over the next 20 years. Natural gas has lower carbon intensity than coal and oil and has become the preferred fuel for electric power and industrial sectors in many parts of the world. The proportion of natural gas transported as LNG, as opposed to via pipeline, is increasing and was in 2013 approximately 30% of the total natural gas market.

LNG production has historically been the bottleneck in the LNG market, with demand following supply. In 2013, the global LNG production was approximately 250 million tons per annum (mtpa). With almost 100 mtpa of additional LNG expected to come on stream over the next three years, of which the majority is expected to come from Australia and North America, LNG trade is expected to increase in the years ahead.

While mature LNG importers like Japan, Korea and Taiwan are expected to pick up a large share, emerging countries will likely account for an increasing share of the increased LNG supply. Demand for LNG from these countries is driven by economic growth, depleting domestic gas resources, fuel-switching and increased environmental awareness.

New countries looking to import LNG are increasingly looking at floating import solutions, as FSRUs are less capital intensive, more flexible and quicker to build compared to land based facilities. In recent years there has been an increasing demand for FSRU projects in Asia, the Middle East and South America. While this trend continues, a new trend shows an increasing number of requests relating to projects in Africa. The Company has identified around 30 potential FSRU projects world wide, of which several currently are in the tendering process. There are currently 11 confirmed FSRUs on order for delivery by 2016, of which five are uncommitted.

The long term market prospect for conventional LNG carriers is positive due to the expected increase in LNG production. However, the short term prospects are challenging, due to a high order book of uncommitted LNG carriers scheduled to be delivered ahead of the expected increase in LNG production. At the date of this report, there were 117 LNG carriers on order, equivalent to 32% of the current world fleet of LNG carriers (363), of which approximately 35% were uncommitted.

In North America, availability of shale gas and the lack of LNG export facilities have resulted in gas prices being considerably lower than elsewhere in the world. To benefit from this arbitrage opportunity, several LNG export projects are currently being planned in the US and Canada. Since the gas available for export is pipeline gas, with limited pre-treatment requirements, Höegh LNG sees many opportunities for employment of its barge based FLNG solution in facilitating export of LNG from North America. A barge FLNG solution is less capital intensive, quicker to build and a more flexible alternative than land based solutions and one is currently under construction. Africa is another market where an increasing number of players are looking at floating export through a barge FLNG. By the end of 2013 there were four floating production projects under construction.

Review of 2013 including subsequent events

The FSRU newbuilding programme made progress according to plan. HHI is on schedule with the construction work and the Company is on schedule with necessary infrastructure construction, as well as preparing the organisation and crews for delivery of the FSRUs.

Preparations for the FSRU projects in Lithuania and Indonesia made progress according to plan. The necessary corporate and administrative set up has been or is in the process of being established and as a subsequent event, the PGN FSRU mooring system has been installed at the Lampung site.

The FSRU tendering activity was high, with the Company pursuing selected tender opportunities and submitting bids for FSRU projects in the Middle East and South America.

2013 was an active year for Höegh FLNG, pursuing small scale barge based FLNG projects world wide. Höegh FLNG was awarded and completed a paid preliminary Front End Engineering Design ("pre-FEED") study for a barge based FLNG solution for a North American LNG export project. Höegh FLNG was also awarded a paid pre-FEED study for an FLNG solution offshore Australia. Höegh FLNG is taking on paid studies to position itself for the award of contracts to own and operate barge based FLNG units.

The tender activity within conventional LNG shipping was low as the Company only pursued selective tender invitations as expansion within this segment has not been the Company's focus in recent years. However, it is expected that the tender activity within this segment will increase.

The existing fleet was operated safely and without disruptions. The LNG carrier LNG Libra was without employment from end February until early June 2013 when employment was secured through 2014. In September 2013, the LNG carrier Norman Lady went off charter and was subsequently sold for green recycling. In October 2013, the Company discontinued the operation of the LNGC STX Frontier and handed the vessel back to its owner. In December 2013, the FSRU GDF Suez Cape Ann, which is on a long term contract to GDF Suez, started operations as the first floating LNG import terminal in China under a sub contract between GDF Suez and CNOOC Gas & Power Group Limited.

During 2013, including subsequent events, Höegh LNG secured USD 731 million in long term financing for the newbuild FSRUs. A USD 310 million debt facility, including a USD 10.7 million standby letter of credit was signed for the PGN FSRU and Mooring with five Asian based banks backed by ECA guarantees. Commitment letters were further received for a USD 412 million debt facility for the third and fourth newbuild FSRUs under construction from European and US banks. The latter facility is currently in documentation. With these debt facilities, the FSRU newbuilding programme is fully funded.

Financial review

Group figures

Income statement

Total income for 2013 was USD 178.0 million, up from USD 135.6 million in 2012. The increase in income is mainly due to recognition of revenue from the PGN Mooring construction contract, offset by reduced income from Norman Lady as the vessel ended the time charter contract with Gas Natural and was subsequently sold during the year.

Operating profit before depreciation for 2013 was USD 34.6 million, down from USD 49.3 million in 2012. The decrease is mainly explained by a non-recurring income in 2012 relating to a change in the pension regime as well as less contribution from Norman Lady, higher pre-delivery expenses relating to the newbuild FSRUs and higher expenses relating to the potential listing of a Master Limited Partnership in 2013.

Operating profit was USD 6.1 million in 2013 compared to USD 37.0 million in 2012. The decrease is due to the above mentioned reasons, as well as higher depreciation and lower gain on the sale of assets in 2013 versus 2012. Depreciation was higher as LNG Libra was owned for the full year 2013 and only part of 2012. The gain on disposal of assets was lower, as Norman Lady was sold at a gain of USD 2.2 million in 2013, while Port Meridian was sold at a gain of approximately USD 10 million in 2012. Net financial expenses were USD 26.4 million compared to USD 25.6 million in 2012. Net loss for the period was USD 20.8 million, down USD 32 million from 2012. The net gain on hedging reserves was USD 64.7 million, compared to a net loss of USD 1.3 million in 2012, resulting in a consolidated total comprehensive profit of USD 43.8 million (USD 8.3 million).

Business segments

The Group's reporting structure changed with effect from 1 July 2013 to reflect its new organisation and management responsibilities, which were implemented on 1 September 2013. The new structure is in accordance with the Group's internal financial reporting, and is now divided into the following four segments:

The commercial segment, which is responsible for the commercial management of the Group's fleet of regasification and transportation vessels as well as tender activities for new regasification and transportation business, recorded in 2013 total income of USD 112.3 million (USD 121.1 million) and operating profit before depreciation of USD 48.5 million (USD 61.7 million).

The technical segment, which is responsible for the technical management of the Group's fleet of regasification and transportation vessels as well as the delivery of new regasification and transportation projects, recorded in 2013 total income of USD 55.7 million (USD 2.6 million) and loss before depreciation of USD 0.2 million (USD -6.1 million).

The FLNG segment, which is responsible for the marketing, building and operation of floating liquefaction plants for LNG, recorded in 2013 total income of USD 10 million (USD 11.8 million) and loss before depreciation of USD 5.2 million (USD - 6.0 million).

The other segment, which consists of Group management, finance, legal and other corporate services and contains administrative expenses which are managed on a Group basis and have not been allocated to other segments, recorded in 2013 a total cost of USD 8.4 million (USD 0.3 million).

Financial position

As of 31 December 2013, total equity and liabilities totalled USD 1 101.0 million (USD 1 072.1 million). The increase is mainly due to a net increase in interest bearing debt used to fund investment in the newbuild FSRUs, offset by net loss after taxes.

As of 31 December 2013, book equity was USD 389 million (USD 344 million). Net of mark-to-market of hedging reserves, the adjusted book equity was USD 457 million (USD 476 million). The reduction is mainly due to the loss after tax for the period of USD 20 million. As of 31 December 2013, the equity ratio adjusted for market to market of hedging reserves was 42% (44%). The capital structure is deemed appropriate given the nature of the Group's business and its existing commitments.

Capital commitment

As of 31 December 2013, the Company had USD 890 million in remaining off-balance sheet capital commitment relating to the FSRU newbuilding programme and the mooring construction, against USD 1 030 million in cash, marketable securities and available drawing under debt facilities, including commitment letters made available in subsequent events.

Financing

The Group's interest bearing debt was USD 571 million (USD 559 million) at year-end 2013. The increase is mainly due to drawdowns on the Klaipedos Nafta facility, offset by ordinary debt repayments made in 2013.

The Group has in place a USD 250 million senior secured corporate credit facility for the financing of the FSRU for Klaipedos Nafta in Lithuania. As of 31 December 2013, USD 24.5 million was drawn under the facility. The facility has a five years post-delivery tenor and an overall profile of 16 years.

In September 2013, the Group signed a USD 310 million Limited Recourse Facility for the financing of its PGN FSRU and mooring project in Indonesia. First drawdown was 4 March 2014. The facility has a seven years post-delivery tenor and an overall profile of 12 years.

In December 2013, Höegh LNG raised a USD 30 million short term credit facility with a selection of banks to fund the working capital requirement of the PGN FSRU and mooring project in Indonesia. As of 31 December 2013, USD 20 million was drawn under the facility. The facility matured and was repaid 14 March 2014.

In January 2014, Höegh LNG received commitment letters from seven international banks for a USD 400 million long-term Senior Secured Credit Facility for the financing of the third and fourth FSRUs, and later increased to USD 412 million. The financing is without charter employment requirements and available also for pre-delivery financing. It has a five year post-delivery tenor and a fifteen years repayment profile. Commitments are subject to final documentation, which is in progress. Upon signing of the facility, the USD 288 million bridging facility for these FSRUs will be cancelled.

Cash flow

Cash flow from operating activities was USD 24.3 million (USD 30.2 million). Cash flow from investing activities came to a negative USD 84.1 million (USD (225.1) million), driven by investments in newbuildings offset by sale of marketable securities. The cash flow used in financing activities was a negative USD 13.6 million compared to USD 289.2 million positive in 2012. The decrease is mainly explained by issuance of share capital and bonds in 2012 amounting to USD 208.7 million and USD 130.3 million, respectively. The Group's total cash flow in 2013 from operating, investing and financing activities was a negative USD 73.4 million (USD 94.3 million).

The Group's unrestricted and restricted cash and cash equivalents as of year-end 2013 were USD 83.6 million (USD 155.8 million). In addition, the Group held USD 14 million (USD 114 million) in marketable securities.

Going concern

The annual financial statements have been prepared under the going concern assumption, and the Board confirms that the assumption is fulfilled.

Parent company

The net loss after tax for the parent company Höegh LNG Holdings Ltd. was USD 0.1 million (USD 13.3 million), which will be covered by retained earnings. 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 2013 were USD 715.2 million (USD 714.9 million). The equity ratio for the parent company was 81% at year-end 2013 (81%). Net cash flow in the parent company was negative USD 72.5 million (USD 70.6 million). During 2013, USD 157.7 million has been lent to wholly owned subsidiaries partly funded through redemption of marketable securities by USD 101.0 million. USD 11.0 million is held in cash or cash equivalents.

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, and
- OHSAS 18001 Occupational Health and Safety Management System

Market risk
Two of the four FSRUs currently on order have employment secured, and two are open and exposed to variations in the demand for FSRU services. Floating LNG import terminals are increasingly the preferred solution for countries developing LNG import infrastructure, as this is a less capital intensive, quicker to build and more flexible solution compared to land-based 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 are not exposed to short-term variations in the demand for floating LNG services. The current charter party for the LNG carrier LNG Libra expires in December 2014. The charterer has the option to extend the charter for one more year. If this option is not exercised, the vessel will be available for new charters or sold. LNG Libra is 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 an FLNG unit, 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. The Group'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. The Group is therefore 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 688.1 million will be repaid through the cash flow generated from existing and new assets within the Group. All existing vessels subject to debt financing are on long-term charter contracts with creditworthy counterparties, save for the third FSRU. As of 31 December 2013, the Company had USD 890 million in remaining off-balance sheet capital commitment relating to the FSRU newbuilding programme and the mooring construction, against USD 1 030 million in cash, marketable securities and available drawing under debt facilities, including the commitment letters made available in subsequent events.

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. The PGN FSRU mooring system is payable upon delivery and acceptance. 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 social 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 all business operations and to find a sound balance between the interest of non-financial stakeholders and the need for operational efficiency and shareholder value.

Höegh LNG shall act as a socially responsible company and apply NS-ISO 26000, which describes the international standard on CSR, throughout the organisation.

Operating in a global business requires interaction with a diverse composition of nationalities and cultures, and Höegh LNG promotes and supports human rights both nationally and worldwide. In Höegh LNG, any form of interaction should be performed with respect and always taking into consideration different cultural aspects. Höegh LNG shall always promote non-discrimination, the right to privacy, protection against bullying and harassment and maintain compliance with local laws and regulations in the countries where Höegh LNG has business activities.

As an energy service provider and operating with liquefied natural gas (LNG), Höegh LNG requires a strong focus on safety. Höegh LNG has developed a number of procedures and routines laid down in separate manuals that are easily accessed in Höegh LNG's Safety Management system. The well incorporated safety culture in Höegh LNG is also implemented onshore and Höegh LNG promotes safety-routines and conduct refresher-courses on a regular basis. Höegh LNG maintains a favourable physical and psychosocial working environment and treats the employees and contracted personnel with respect, care and flexibility.

Höegh LNG's business activities may have an impact on the environment and Höegh LNG shall always strive towards environmental improvements and seek to reduce any negative impact. Höegh LNG complies with ISO 14001 and also demands business partners to act according to this certification 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 has significantly lower carbon dioxide emissions than oil and other fossil fuels, relatively small nitrogen oxide emissions and almost no sulphur dioxide and particulates emissions. By transporting natural gas to new users and thereby enabling 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.

Höegh LNG has a zero-tolerance for bribery and corruption and focuses on how to avoid bribery and corruption. Collaborating partners will be subject for an evaluation and must undertake to comply with the standards of Höegh LNG. Höegh LNG has training procedures in place, mandatory to the employees, making them aware of what corruption is, how to spot corruption and how to avoid it.

Personnel matters

The Group had 94 permanent office employees and 350 seagoing personnel at the end of 2013. The 24 month accumulated retention rate as at year-end 2013 was 97.0% for officers and 97.5% for ratings. Average sickness absence among employees located at the head office was 3.2% in 2013 (1.7%). No injuries were reported on land-based employees during the year. In 2013, there were two lost time injuries (LTI) on vessels owned or operated by Höegh LNG, resulting in a lost time injury frequency (LTIF) of 1.05 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 37% of the Group's office employees in Norway at 31 December 2013, compared to 36% in 2012. 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. All members of the top management group are male.

Shareholder matters

At the end of 2013, there were 69,893,055 common shares issued in the Company. Leif Höegh & Co. Ltd. was the largest shareholder owning 44.4% of the shares. 1.7% of the shares were owned by Methane Ventures Limited, which is owned 45.6% by key employees of the Group and related entities, with the remainder of its shares being held by the Company. During the year, the Company issued a total of 7,536 new shares.

The Company established a stock option programme for senior management and key employees in February 2012 (Round 1) and a second round in February 2014 (Round 2). As of end February 2014, a total of 2,272,000 options have been granted as follows:

Round	No. of options	Strike Price	Vesting dates	Expiry Date
Round 1	822,000	NOK 53	1/3 on 31 December 2013, 2014 and 2015, respectively	31 December 2016
Round 2	1,390,000	NOK 47	1/3 on 31 December 2015, 2016 and 2017, respectively	31 December 2018

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 Børs' 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 for many decades and that an increasing share of the incremental demand for natural gas is expected to be supplied as LNG from new liquefaction capacity coming on stream. 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 HHIare delivered and commence operation, the operating result and cash flow of the Group is expected to improve considerably from 2014 and onwards.

Outlook for 2014

Höegh LNG's main focus in 2014 will be to secure employment for the two uncommitted newbuild FSRUs under construction, facilitate the scheduled newbuild FSRU deliveries and ensure successful delivery of the FSRU project in Indonesia and Lithuania. Within FLNG, the main focus will be to secure a commercial contract and place an order for a barge FLNG unit and to capitalize Höegh FLNG adequately.

Hamilton/Copenhagen, 27 March 2014

The Board of Directors and the President of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Cameron E. Adderley
Director

Timothy J. Counsell
Director

Andrew Jamieson
Director

Guy D. Lafferty
Director

Jon Erik Reinhardsen
Director

Ditlev Wedell-Wedellsborg
Director

Sveinung J. S. Støhle
President

DIRECTORS' RESPONSIBILITY STATEMENT

Today, the Board of Directors and the President reviewed and approved the Board of Directors' Report, the Corporate Governance Report and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending and as of 31 December 2013 (Annual Report 2013).

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 2013 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 2013 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/Copenhagen, 27 March 2014

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

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Cameron E. Adderley
Director

Timothy J. Counsell
Director

Andrew Jamieson
Director

Guy D. Lafferty
Director

Jon Erik Reinhardsen
Director

Ditlev Wedell-Wedellsborg
Director

Sveinung J. S. Støhle
President

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated statement of comprehensive income

USD'000	Note	Year ended 31 December 2013	2012 Restated [1]
Freight revenues	5	115 034	119 873
Voyage expenses	5	(5 146)	(940)
Income on T/C basis		**109 888**	**118 933**
Construction contract revenue	6	52 672	-
Management and other income	5	15 453	16 672
Total income		**178 013**	**135 605**
Charterhire expenses	5	(20 568)	(20 713)
Construction contract expenses	6	(45 645)	-
Operating expenses	7	(33 789)	(33 106)
Administrative expenses	8,14	(17 709)	(5 987)
Business development expenses	9,14	(25 683)	(26 472)
Operating profit before depreciation and gain on sale of asset		**34 618**	**49 328**
Gain/(loss) on sale of assets		2 226	10 405
Depreciation	17	(30 715)	(22 733)
Operating profit		**6 130**	**36 999**
Interest income		161	93
Interest expenses	10	(26 346)	(26 770)
Income from other financial items	21	1 041	2 255
Expenses from other financial items	11	(1 303)	(1 157)
Net financial items		**(26 447)**	**(25 579)**
Profit or (loss) before tax		**(20 317)**	**11 420**
Tax	12	(486)	(181)
Profit (loss) for the year	4	**(20 803)**	**11 239**
Other comprehensive income:			
Items that will not be reclassified to profit or (loss)			
Actuarial gains or losses on defined benefit plans	2.26	(103)	(1 630)
Items that may be subsequently reclassified to profit or (loss)			
Reclassification during the year to profit or (loss) of cash flow hedges	22	19 077	19 740
Net gain (loss) on unrealized cash flow hedges	22	45 657	(21 049)
Other comprehensive income/(loss) for the year		**64 632**	**(2 939)**
Total comprehensive income/(loss) for the year		**43 829**	**8 300**
Profit /(loss) of the year attributable to (from):			
Equity holders of the parent	13	(20 803)	11 239
Non-controlling interests		-	-
Total		**(20 803)**	**11 239**
Total comprehensive income attributable to (from):			
Equity holders of the parent		43 829	8 300
Non-controlling interests		-	-
Total		**43 829**	**8 300**
Earnings per share attributable to owners of the parent during the year			
Basic and diluted earnings per share (loss):	13	(0,30)	0,17

[1] *Restated due to implementation of revised IAS 19. See Note 2.26 for further description*

The notes on pages 19 to 56 are an integral part of these consolidated financial statements

Consolidated statement of financial position

USD'000	Note	As at 31 December 2013	As at 31 December 2012 Restated [1]	As at 1 January 2012 Restated [1]
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax assets	12	772	789	740
Licenses, design and other intangibles	16	73 321	73 237	81 955
Tangible assets				
Vessels	17	455 097	483 683	455 054
New buildings under construction	18	379 119	225 716	52 133
Equipment	17	2 285	2 901	2 304
Non-current financial assets	15	17 985	1 649	107
Other non-current assets	19	13 785	8 727	8 116
Restricted cash	23	12 552	23 253	12 552
Total non-current assets		**954 916**	**819 955**	**612 961**
Current assets				
Inventories		87	84	131
Unbilled construction contract receivable	6	52 672	-	-
Trade and other receivables	20	8 460	5 528	4 850
Marketable securities	21	13 794	113 877	90 098
Restricted cash	23	13 595	1 800	3 250
Cash and cash equivalents	23	57 474	130 882	33 364
Total current assets		**146 082**	**252 171**	**131 694**
TOTAL ASSETS		**1 100 998**	**1 072 126**	**744 655**
EQUITY AND LIABILITES				
Equity				
Issued capital	24	699	699	470
Other paid-in capital		337 797	336 371	133 626
Retained earnings		50 609	6 780	(1 519)
Total equity		**389 105**	**343 850**	**132 577**
Non-current liabilities				
Long-term interest bearing debt	25	535 298	538 680	426 269
Other non-current financial liabilities	15,22	71 114	110 648	113 606
Other long-term debt	27	11 386	11 656	18 363
Total non-current liabilities		**617 798**	**660 984**	**558 237**
Current liabilities				
Short-term interest bearing debt	25	35 310	20 653	12 872
Trade and other payables	28	12 432	12 052	7 144
Other current financial liabilities	22,30	33 911	26 606	24 484
Provisions and accruals	29	12 442	7 981	9 340
Total current liabilities		**94 095**	**67 292**	**53 841**
TOTAL EQUITY AND LIABILITIES		**1 100 998**	**1 072 126**	**744 655**

[1] *Restated due to implementation of revised IAS 19. See Note 2.26 for further description*

Hamilton, Bermuda/Copenhagen, Denmark 27 March 2014
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

The notes on pages 19 to 56 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

USD'000	Note	Issued capital	Share premium	Treasury shares	Other paid in capital	Hedging reserves	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the parent									
	Note	Note 24				Note 22					
As at 1 January 2012 (as previously reported)		470	142 487	(12)	(8 849)	(131 649)		130 840	133 287	-	133 287
Effect of changes in accounting policies	2.26						(710)		(710)		(710)
Balance at 1 January 2012 restated		**470**	**142 487**	**(12)**	**(8 849)**	**(131 649)**	**(710)**	**130 840**	**132 577**	**-**	**132 577**
Profit (loss) for the year		-	-	-	-	-		11 239	11 239	-	11 239
Other comprehensive income for the year		-	-	-	-	(1 309)	(1 630)	-	(2 939)	-	(2 939)
Total comperehensive income for the year		**-**	**-**	**-**	**-**	**(1 309)**	**(1 630)**	**11 239**	**8 300**	**-**	**8 300**
Issue of share capital 3 February 2012	24	226	206 367	-	-	-	-	-	206 594	-	206 594
Issue of share capital 22 March 2012	24	2	2 071	-	-	-	-	-	2 074	-	2 074
Transaction costs		-	(6 788)	-	-	-	-	-	(6 788)	-	(6 788)
Issue of share capital 30 August 2012	24	-	60	-	-	-	-	-	60	-	60
Share-based payments	14	-	-	-	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 (restated)		**699**	**344 198**	**(12)**	**(7 815)**	**(132 958)**	**(2 340)**	**142 079**	**343 850**	**-**	**343 850**
Balance at 1 January 2013 (restated)		699	344 198	(12)	(7 815)	(132 958)	(2 340)	142 079	343 850	-	343 850
Profit (loss) for the year		-	-	-	-	-		(20 803)	(20 803)	-	(20 803)
Other comprehensive income for the year		-	-	-	-	64 734	(103)	-	64 632	-	64 632
Total comperehensive income for the year		**-**	**-**	**-**	**-**	**64 734**	**(103)**	**(20 803)**	**43 829**	**-**	**43 829**
Issue of share capital 7 June 2013		0	60	-	-	-	-	-	60	-	60
Share-based payments	14	-	-	-	1 366	-	-	-	1 366	-	1 366
Total transactions with owners of the company, recognized directly in equity	24	0	60	-	1 366	-	-	-	1 426	-	1 426
At 31 December 2013		**699**	**344 257**	**(12)**	**(6 449)**	**(68 223)**	**(2 443)**	**121 276**	**389 105**	**-**	**389 105**

[1] *Restated due to implementation of revised IAS 19. See Note 2.26 for further description*

The notes on pages 19 to 56 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

USD'000	Note	2013	2012 Restated [1]
		Year ended 31 December	
Cash flows from operating activities			
Profit /(loss) before tax		(20 317)	11 420
Non-cash adjustment to reconcile profit before tax to net operational cash flows			
Loss/ (gain) sale of assets		(2 226)	(10 405)
Depreciation vessels, drydocking and equipment	17	30 715	22 733
Fair value adjustments on marketable securities	21	(918)	(2 178)
Interest income		(161)	(93)
Interest cost	10	26 346	26 770
Discrepancy between paid and expensed pension cost		189	(7 840)
Share-based payment cost and BoD remuneration		1 426	1 094
Construction contract revenue (net) not received	6	(7 027)	-
Working capital adjustments			
Change in inventories, receivables and payables		(3 292)	(10 804)
Interest received		103	64
Income tax paid		(531)	(553)
Net cash generated from operating activities		**24 308**	**30 208**
Investing activites			
Proceeds from sale of marketable securities	21	101 000	183 400
Investments in marketable securities	21	-	(205 000)
Investments in vessels, drydocking, new buildings, mooring		(185 999)	(220 820)
Net proceeds sale of vessel		4 998	-
Investments in intangibles		(171)	(620)
Gross proceeds from sale of equipment and intangibles		-	20 090
Investment in equipment and contract cost		(3 973)	(2 190)
Net cashused in investing activities		**(84 145)**	**(225 140)**
Financing activites			
Net proceeds from borrowings		32 852	124 314
Repayment of borrowings		(13 656)	(12 872)
Interest paid		(32 767)	(24 181)
Net proceeds equity offering		-	201 939
Net cash flows from financing activities		**(13 571)**	**289 200**
Net increase in cash and cash equivalents		**(73 408)**	**94 268**
Current cash, cash equivalents at 1 January		130 882	36 614
Current cash and cash equivalents at 31 December	**23**	**57 474**	**130 882**
Guarantees (interest rate swaps Arctic leases)	32	28 632	44 054
Undrawn facilities	22	523 500	538 000
Aggregate amount of cash flows from joint ventures	3	(2 252)	261

[1] *Restated due to implementation of revised IAS 19. See Note 2.26 for further description*

The notes on pages 19 to 56 are an integral part of these consolidated financial statements.

Note 1 – Corporate information

Höegh LNG Holdings Ltd. (referred to as “the parent Company”) is an exempted company incorporated with limited liability under the laws of Bermuda. The parent Company’s registered office is at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements for the fiscal year of 2013 comprise Höegh LNG Holdings, its subsidiaries and joint venture companies (referred to collectively as “the Company” or “the Group”). Höegh LNG Holdings Ltd. is listed at Oslo Børs (the Oslo Stock Exchange).

As of 31 December 2013, the Company operated a fleet of four LNG transportation vessels and two floating storage and regasification units (FSRUs) and had four newbuild FSRUs under construction. The Company has further developed a solution for floating LNG production (FLNG).

The Group’s strategy is to offer the complete chain of floating LNG services, from production to transportation and regasification. The Group shall own, operate and develop floating LNG services and participate in developing projects related to the LNG sector.

The annual accounts for the parent Company and the Group for the year ended 31 December 2013 were approved by the Board on 27 March 2014.

Note 2 – Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the financials for the parent Company 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 explanations of the accounting principles for the Group also apply to the parent Company and the notes to the consolidated financial statements will in some cases cover parent company.

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.

An additional statement of financial position as at 1 January 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies, see Note 2.26.

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.

2.2 Foreign currencies

The Group presents its financial statements in USD. This is also the functional currency for all the material companies in the Group.

Transactions in other currencies than USD are recognized in USD at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to USD using the exchange rate at the reporting date. Non-monetary items measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the initial transaction.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries and joint ventures as at 31 December 2013.

2.3.1 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% 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. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.3.2 Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

2.4 Segment reporting

Operating segments are reported in in accordance with the internal reporting provided to the group executive management (chief operating decision-makers), who are responsible for allocating resources to and assessing the performance of the operating segments.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

2.5.1 Income on time charter basis

Chartering arrangements, 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 pursuant to IAS 17. Income from operating leases is recognized on a straight-line basis as time charter income. The Group does not recognize time charter income during periods when the underlying vessel is off-hire. When the vessel is off hire, voyage expenses may be incurred and paid by the Company. Voyage expenses include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees.

2.5.2 Construction contract revenue

For fixed price construction contracts, when the outcome can be estimated reliably, construction contract revenues are recognized based on the percentage of completion method pursuant to IAS 11.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

2.5.3 Management and other income

The Group receives management income from technical, commercial and administrative services performed by entities within the Group and other income from engineering studies provided to a third party. This income is recognised in the period in which the service is provided.

2.6 Operating expenses

Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and management fees. When vessels are on hire, the majority of vessel operating expenses are reimbursed from the charterer. When the vessel is off hire, vessel operating expenses are mainly for owners account.

2.7 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).

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at hand, bank deposits and short-term deposits with maturity of three months or less.

2.9 Fair value measurement

Financial instruments, such as, derivatives, are measured at fair value. The fair value of financial instruments traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. The fair value of financial instruments not traded in active markets is determined using appropriate evaluation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.10 Financial instruments

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

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

2.10.1 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 at fair value through profit or loss are carried in the statement of financial position at fair value with 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. The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.10.2 Hedge accounting – cash flow hedges

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks that are within the scope of IAS 39.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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.

2.11 Tangible assets

Non-current assets such as vessels, investments in construction of newbuildings and equipment are carried at cost less accumulated depreciation and impairment charges. Cost is defined as directly attributable cost plus borrowing cost during construction.

2.11.1 Depreciation of vessels

Depreciation is calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Useful life is estimated at 35 years to the Group's fleet.

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.

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

2.11.2 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.

2.11.3 Equipment

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

2.12 Lease accounting

2.12.1 Finance leases – the Group as lessee

Leases that transfer substantially all the risks and benefits incidental to the ownership of the underlying asset to the Group 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 is determined at the inception of the contract. The Company presents financial leases where the Group is lessee 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 payments. 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.

2.12.2 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.

2.12.3 Operational leases – the Group as lessor

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are 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.

2.13 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 recognized as an intangible asset when the Group can demonstrate i.e. technical feasibilities of completing the asset, the ability to use or sell, and the abilities to complete the development.

2.14 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.

2.15 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.

2.16 Income tax

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.

2.16.1 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.

2.16.2 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.

2.17 Impairment of assets

2.17.1 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.

2.17.2 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 by calculating net present value.

2.17.3 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 estimates 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.

2.18 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.

2.19 Deferred debt issuance costs

Debt issuance costs, including arrangement fees and legal expenses, are deferred and presented as deferred debt issuance cost in the balance sheet and amortized on an effective interest rate method over the tenor of the relevant loan. Amortization of debt issuance costs is included as a component of interest expense. If a loan is repaid early, any unamortized portion of the deferred debt issuance costs is recognized as interest expense in the period in which the loan is repaid.

2.20 Pensions

2.20.1 Norway Defined benefit scheme (DB)

The Group had a defined benefit plan for certain employees in the top Management and for all employees in Norway until 30 November 2012. The liability recognized 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 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. This scheme was valid for all employees in Norway but discontinued on 1 December 2012 and replaced by defined contribution plans.

2.20.2 Defined contribution (DC) scheme

Defined contributions are made to the pension plan for full-time employees and equal 5-8% of the employee's salary. 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.

2.20.3 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.

2.20.4 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.

2.21 Share-based payments

Certain members of the Management of the Group receive 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.

2.23 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 the Group. 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.

2.24 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. Subsequent events 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.

2.25 Shares in subsidiaries (Parent only)

Shares in subsidiaries in are in the parent accounts recorded at acquired cost. These investments are reviewed for impairment when there are indicators that carrying amount may not be recoverable. Dividend, Group or other distributions from subsidiaries are recognized when the parent's right to receive payments is established. These transactions are all eliminated on consolidation.

2.26 New and amended standards and interpretations adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

IAS 1 Presentation of Items of Other Comprehensive Income

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22

IAS 19 - Employee benefits

A revised IAS 19 became effective from 1 January 2013 and the Company has implemented the standard retrospectively. The corridor approach has been removed and re-measurements (unrecognized actuarial gains and losses) are recorded as other comprehensive income. The applied discount rate equals the percentage to the expected return on the plan's assets. The expected effects to the revised IAS 19 are higher pension expenses and greater balance sheet volatility.

The impact in the 2012 accounts is a reclassification of actuarial gains or losses on defined benefit plan from profit or loss to other comprehensive income. The opening balance at 1 January 2012 is restated by increasing pension liabilities and reducing equity by USD 0.7 million.

The consolidated comprehensive income statement in 2012 is further restated whereof administrative expenses are reduced by USD 2.3 million and loss in other comprehensive income increased by USD 1.6 million.

2.27 Standards issued but not yet effective

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.

Subsidiaries are all entities in which the Group has a controlling interest. Control is achieved when the Group 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. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

This standard becomes effective for annual periods beginning on or after 1 January 2014 and the new standard will not have any material affect for the Group.

IFRS 11 - Joint Arrangements

IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

Joint controlling entities 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 a joint venture 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.

This standard becomes effective for annual periods beginning on or after 1 January 2014, and due to retrospective implementation, the consolidated accounts for 2013 will need to be restated.

The below table presents some key financials in the consolidated accounts to the sum of segments based on consolidating by proportionate and equity method for the fiscal year of 2013:

1 January - 31 December 2013	Proportionate consolidation	Equity method
Total income	178 013	130 401
Share of results from joint ventures (See Note 3)	-	15 062
Operating income before depreciation	34 618	(1 882)
Operating profit	6 130	(19 051)
Net financial items	(26 447)	(1 263)
Profit (loss) for the year	(20 803)	(20 803)

31 December 2013	Proportionate consolidation	Equity method
Investment in joint ventures (See Note 3)	-	(85 985)
Shareholders loans to joint ventures	-	24 961
Total interest bearing debt	570 608	164 566
Restricted and unrestricted cash	83 621	60 746
Marketable securities	13 794	13 794
Net interest bearing debt	473 193	90 026
Equity ratio adjusted for hedging reserves	42%	67%

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 requirements are more comprehensive than the previously existing disclosure requirements for subsidiaries.

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 2014.

IFRS 9 Financial instruments (replacement of IAS 39)
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. If not early adopted, the standard becomes effective 1 January 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed.

The Group will quantify the effect in conjunction with these phases, when the final standard including all phases is issued.

Other changes in accounting policies are considered to have immaterial effects for the Group.

2.28 Significant accounting judgements, estimates and assumptions

The preparation of financial statements 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. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant judgements

The Company have applied significant judgments mainly relating to the following:

- Mooring contract – Assessment of accounting as construction contract (IAS 11) or sale of goods (IAS 18)
- Lease classifications: Classification of lease agreements as operational or financial leases.

The Company has signed an agreement to provide a mooring system. The mooring system will be constructed by the Company, and the ownership will be transferred to PGN when delivered estimated to take place in June 2014.

The Company has applied judgement in the assessment on whether the contract represents sale of goods to be accounted for in accordance with IAS 18 or a construction contract which is to be accounted for in accordance with IAS 11. Based on guidance defined under IFRIC 15, the Company has concluded that the contract meets the definition of a construction contract. In accordance with IAS 11, the contract revenue and costs have been accounted for applying the percentage of completion method. Reference is made to Note 6 for more information.

If the Company had concluded that the transaction was to be accounted for as a sale of goods, the contract revenue would have been deferred until delivery of the mooring system. The related expenses, would have been recognized inventories in the period of construction and expensed as cost of goods sold at the time of delivery.

Lease contracts – the Group as lessor
The Group only *records operating leases* out, when the Group is defined as lessor. The implication is that the vessel is presented as an asset in the statement of financial position. The assessment 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. A different assessment to classifications of leases out will cause a material effect in the accounts. When the lease out is determined as an operational lease out, the vessel will be recorded as a tangible asset in the books of the lessor. When a lease out is determined as a financials lease, the recognition of the asset will be as a receivable towards lessee.

Significant estimates and assumptions

The Company have applied significant estimates and assumptions mainly relating to the following:

- Value in use (VIU) (Impairment)
- Depreciation of vessels: (Useful life and residual values in depreciation profile)
- Construction contracts (mooring) – Estimates of contract revenue, contract cost and percentage of completion

VIU
The Company 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 16.

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 the book value of the assets.

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. At end on useful life for a vessel, residual values are annually reassessed. In case of significanchanges in assumptions, depreciation is adjusted prospectively. The Management's expectations to useful life of the vessels' are 35 years

Construction contract - Mooring

Construction contract revenues are recognized based on the percentage of completion method, a method relying to a large extent on the use of estimates. The accounting treatment rely on estimates of

- Construction revenue
- Construction expenses, and
- Percentage of completion

It is necessary for the Company to have an effective internal financial budgeting and reporting system. The Company reviews and, when necessary, revises the estimates of contract revenue and contract costs as the contract progresses. The impact on revenues and expenses from adjustments to estimates during the construction period is made on a cumulative basis in the period when such information has become available.

The stage of completion of the contract is determined as the proportion of contract costs incurred for work performed to date as proportion to the estimated total contract costs. Construction contract expenses include direct costs on contracts, including project management, labour and materials, amounts payable to subcontractors and borrowing cost. The estimates are exposed to risks in the reporting from external contractors.

The Company has considered the overall risk related to the estimates for the total Mooring project cost given that this is the first mooring project completed, and there are liquidating damages which are payable should there be delays in delivering the project. To meet these uncertainties it has been included contingencies in the project cost in determining the total cost estimate for the Mooring project at year end. Some of the risk for delays relate to bad weather or wave conditions that are not within the control of the Company. Delays can affect total project cost as well.

Note 3 - Interest in joint ventures

The Group has ownership in six joint ventures and. The table below sets out the condensed amounts of the Group's shares in joint ventures in the statements of comprehensive income, financial position cash flows for the year ended 2013 and 2012, respectively.

Joint Ventures

	2013	2012
Charter income	62 892	63 095
Operating and adm. expenses	(11 349)	(12 496)
Gain on sale of assets	2 226	-
Depreciation	(13 545)	(14 329)
Net financial income/expenses	(25 162)	(26 691)
Profit /(loss) before tax	**15 062**	**9 579**
Other comprehensive income	**50 460**	**1 538**
Non-current assets	430 941	446 965
Current assets	10 587	13 983
Non-current liabilities	(481 514)	(549 784)
Current liabilities	(45 998)	(48 795)
Equity	**(85 984)**	**(137 631)**
Cash flow s from operation	49 881	52 552
Cash flow s used in investing activities	4 662	(1 812)
Cash flow s from financing activities	(56 795)	(50 479)
Net increase/(decrease)	**(2 252)**	**261**

See Note 33 for list of joint ventures held by the Group and information of guarantees related to joint ventures in Note 32.

Note 4 – Segment reporting

The reporting structure was changed in 2013 to reflect the Group's new organisation and management responsibilities. Segment information for 2012 is adjusted accordingly. The new structure is in accordance with the Group's new internal financial reporting, as reported to the executive management (chief decision maker), which does not focus on geography. The Group's revenue from external customers in Bermuda (its country of incorporation) is zero.

The financial reporting is divided into the following four operating segments:

- Commercial
- FLNG
- Technical; and
- Administration and other

The Commercial 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 Commercial segment is also responsible for the marketing and sales of floating storage and regasification units (FSRUs) to be used as floating LNG import terminals and LNG carriers. The capitalised costs relate to investments in licences and permits obtained for the Group's deep water port in the USA and to investments in the development of a containment system for compressed natural gas.

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

The Technical segment provides specialist technical and project personnel to the Group's projects, and is responsible for the construction of floating regasification terminals as well as conventional LNG vessels. Terminals/vessels will be handed over to Commercial Management upon commencement of operations. This segment also provides the technical operation of the Group and external owners vessels. In addition to operational cost the segment contains revenue and costs related to construction contracts until delivery.

The Administrative and other segment consist of Group management, finance, legal and other corporate 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 2013 and 2012, respectively (Reference is made to Note 5).

Income statement by segments 1 January – 31 December 2013

Statement of income	Total consolidated	Commercial	FLNG	Technical	Admin.& other
Freight revenue	115 034	115 034	-	-	-
Voyage expenses	(5 146)	(5 146)	-	-	-
Income on T/C basis	**109 888**	**109 888**	**-**	**-**	**-**
Construction contract revenue	52 672	-	-	52 672	-
Management income	4 409	1 866	-	2 543	-
Other income	11 044	546	9 979	519	-
TOTAL INCOME	**178 013**	**112 300**	**9 979**	**55 734**	**-**
Charter hire expenses	(20 568)	(20 568)	-	-	-
Operating expenses	(33 789)	(33 789)	-	-	-
Construction contract expenses	(45 645)	-	-	(45 645)	-
Administrative expenses	(17 708)	(3 895)	-	(5 374)	(8 439)
Business development expenses	(25 683)	(5 576)	(15 207)	(4 900)	-
Operating profit before depreciation	**34 618**	**48 471**	**(5 228)**	**(186)**	**(8 439)**
Gain/(loss) on sale on assets	2 226	2 226	-	-	-
Depreciation vessel/shipyard	(29 256)	(29 256)	-	-	-
Depreciation other assets	(1 459)	(342)	-	(40)	(1 077)
Operating profit	**6 130**	**21 100**	**(5 228)**	**(226)**	**(9 516)**
Interest expenses	(26 345)	(23 035)	-	-	(3 310)
Interest income	161	1	5	9	146
Other financial items	(262)	(793)	64	(584)	1 052
Profit before tax	**(20 317)**	**(2 728)**	**(5 160)**	**(801)**	**(11 628)**
Tax	(486)	(353)	-	-	(133)
Profit after tax	**(20 803)**	**(3 081)**	**(5 160)**	**(801)**	**(11 761)**

Income statement by segments 1 January – 31 December 2012

Statement of income	Total consolidated	Commercial	FLNG	Technical	Admin.& other
Freight revenue	119 873	119 873	-	-	-
Voyage expenses	(940)	(940)	-	-	-
Income on T/C basis	**118 933**	**118 933**	**-**	**-**	**-**
Management income	4 676	2 052	54	2 570	-
Other income	11 996	93	11 730	5	168
TOTAL INCOME	**135 605**	**121 078**	**11 784**	**2 575**	**168**
Charter hire expenses	(20 713)	(20 713)	-	-	-
Operating expenses	(33 105)	(33 105)	-	-	-
Administrative expenses	(5 982)	(1 047)	-	(4 472)	(463)
Business development expenses	(26 477)	(4 491)	(17 744)	(4 242)	-
Operating profit before depreciation	**49 328**	**61 722**	**(5 960)**	**(6 139)**	**(295)**
Gain/(loss) on sale on assets	10 405	10 388	10	7	-
Depreciation vessel/shipyard	(21 183)	(21 183)	-	-	-
Depreciation other assets	(1 549)	(319)	(3)	(8)	(1 219)
Operating profit	**37 001**	**50 608**	**(5 953)**	**(6 140)**	**(1 514)**
Interest expenses	(26 770)	(24 186)	-	-	(2 584)
Interest income	93	14	-	6	73
Other financial items	1 097	(69)	(47)	(21)	1 234
Profit before tax	**11 421**	**26 367**	**(6 000)**	**(6 155)**	**(2 791)**
Tax	(182)	(182)	-	-	-
Profit after tax	**11 239**	**26 185**	**(6 000)**	**(6 155)**	**(2 791)**

Selected non-current assets by segments 31 December 2013

		Commercial	FLNG	Technical	Admin.& other
Intangible assets					
Licenses, design and other intangibles	**73 320**	1 023	37 002	35 295	-
Additions in the period:	166	-	-	166	-
Tangible assets					
Vessels and new buildings	**834 216**	455 097	-	379 119	-
Additions during the year	200 600	415	-	200 185	-
Reclassified from investment in mooring	(45 644)			(45 644)	
Current asset					
Reclassified from investment in mooring to unbilled contraction contract receivable	45 644	-	-	45 644	-

Additions to tangible assets during the year relate to investments in FSRUs newbuildings and the mooring construction, capitalized dry docking and upgrading costs on LNG Libra, and the sale of Norman Lady. For commitments related to investment programme, see Note 32.

Selected non-current assets by segments 31 December 2012

		Commercial	FLNG	Technical	Admin.& other
Intangible assets					
Licenses, design and other intangibles	**73 236**	1 105	37 002	35 129	-
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. The additions in 2012 of relate to investments in four newbuildings on order and the acquisition of LNG Libra and change order costs on GDF Suez Cape Ann.

Note 5 - Income

Freight revenue

The Company is a fully integrated provider of floating LNG services. As at 31 December 2013 the Group operated two FSRUs and four LNG carriers of which one fully owned, four partly owned and two on long term financial leases. In addition the Group had one car carrier in operation. The partly owned vessels are owned or leased through joint ventures, in which the Group has 33%, 33.98% and 50% ownership.

Vessel	Charterer	TCP	Expiry	Option
Arctic Princess	Statoil ASA	20 years	January 2026	5 +5 years
Arctic Lady	Total E&P Norge AS	20 years	April 2026	5 + 5 years
GDF Suex Neptune	GDF Suez Global LNG Supply SA	20 years	November 2029	5 +5 years
GDF Suez Cape Ann	GDF Suez Global LNG Supply SA	20 years	June 2030	5+ 5 years
LNG Libra	Gas Natural Aprovisionamientos SDG, S.A	1 year	December 2014	1 year
Norman Lady	Gas Natural Aprovisionamientos SDG, S.A		Expired September 2013	

The relative portion of the bare-boat hire paid and received by the Company on the Arctic vessels is eliminated. The charter hire expenses accounted for in the statement of income represents the portion of the bare-boat hire relating to the external ownership in the ship owning joint venture companies.

The reduction in freight revenues from 2012 to 2013 is mainly due to sale of Norman Lady.

The table below specifies the expected time charter hire to be received from 1 January 2014 to the end of the firm charter party for all the Group’s vessels (excluding car carriers):

Expected future T/C income	< 1 year	1 to 5 years	> 5 years	Total
Total	**106 651**	**372 344**	**872 621**	**1 351 615**

Voyage expenses

Voyage expenses are mainly due to bunkers consumption on LNG Libra as she was unemployed for four months in 2013 and completed a dry docking in May 2013. Voyage expenses were also in 2012 mainly related to bunkers consumption on LNG Libra.

Management and other income

Management and other income	2013	2012
Engineering studies (FLNG)	9 979	11 730
Commercial and technical Management fees	3 749	3 932
Other income	1 725	1 010
Total	**15 453**	**16 672**

Höegh FLNG has during the second half of 2013 performed a paid Front End Engineering Design (“pre-FEED”) study for a barge FLNG solution with 2 million tons per year production capacity for a North American LNG export project. The study includes the proposal for a full FEED.

Höegh FLNG is also working on a paid pre-FEED study for an FLNG solution with a production capacity of 2 million tons per year for a gas field located offshore Australia. The study is based on the generic offshore FLNG design developed by the Company. The study will be completed during the first quarter 2014 and has the potential of developing into a project specific FEED.

In 2013, the Group had four customers listed below (2012; three customers) with revenue exceeding 10% or more representing Freight revenue of USD 115.0 million in income (2012; USD 105.3 million). The single largest customer represented in the Group represented 35% of total freight revenue (compared to 39% in 2012).

- Statoil ASA
- Total E&P Norge AS
- GDF Suez Global LNG Supply SA
- Gas Natural Aprovisionamientos SDG, S.A

Note 6 – Construction contract revenue

	2013	2012
Construction contract revenue	52 672	-
Construction contract expenses	(45 645)	-
Recognized contract margin	**7 027**	**-**
Unbilled construction contract receivable	**52 672**	-

The unbilled construction contract income of USD 52.7 million for the year ended 31 December 2013 (2012: NIL), relate to the construction of a Mooring system for a customer. The unbilled construction contract income represent the excess of contract costs and profits recognized to date on the percentage of completion accounting method over the amount of contract billings to date. As part of its agreement with customer, the Company is responsible for the construction and installation of the Mooring for the customer. As of 31 December 2013, 51% of the contract margin is recognized. All unbilled amounts were expected to be collected within 6 months.

Note 7 – Operating expenses

	2013	2012
Crewing	12 910	11 137
Employer's contribution	969	1 051
Other social costs	1 629	1 862
Total crewing costs	**15 508**	**14 050**
Services	3 154	2 755
Spare parts/consumables	5 203	6 388
Insurance	3 485	3 430
Ship management/other	6 439	6 483
Total operating expenses	**33 789**	**33 106**

Number of seafarers	2013	2012
Seafarers	350	350
Total	**350**	**350**

The increase in crew expenses from 2012 to 2013 is mainly due to a full year of operation of LNG Libra in 2013 compared to six months in 2012.The sale of LNG carrier Norman Lady resulted in reduced spare part consumption in 2013.

Note 8 – Administrative expenses

	2013	2012
Salaries	11 490	9 460
Benefits employees	314	137
Bonus	336	501
Pension costs defined benefit plans (Note 26)	374	(6 854)
Share based payment expenses (Note 14)	1 015	809
Other social costs	1 989	2 085
Total salaries and personnel costs	**15 518**	**6 138**
Consultants/Lawyers/auditors	6 660	3 862
Remuneration board members	311	243
Travel, office and other cost	3 389	4 048
Reclassified to business development (See Note 9)	(5 143)	(4 947)
Reclassified to operation cost	(2 706)	(2 674)
Directly attributable cost capitalized as investments into new buildings	(321)	(684)
Total administrative expenses	**17 709**	**5 987**

Administrative expenses are up from 2012 to 2013 due to preparatory work related to the delivery of the FSRUs under construction and preparations for the potential establishment and listing in the U.S. of a Master Limited Partnership. As of 31 December 2013, the number of office employees in the Group totalled 94, up from 82 as of 31 December 2013. See Note 31 Transactions with related party for remunerations made to key management.

Note 9 – Business development expenses

	2013	2012
Salaries	4 717	4 276
Benefits employees	480	71
Bonus	88	296
Pension costs defined benefit plans (See Note 26)	149	246
Share based payment expenses (See Note 14)	352	225
Other social cost	776	367
Total salaries and personnel expenses	**6 562**	**5 481**
Consultants/Law yers	14 684	17 205
Other admisnistration cost	5 532	4 762
Reclassified from administration cost (See Note 8)	5 143	4 947
Directly attributable cost capitalized as investments into new buildings	(6 237)	(5 923)
Total business development expenses	**25 683**	**26 472**

Directly attributable employee cost have been calculated based on actual hours spent on projects. The Group has four newbuilding projects and costs incurred from directly attributable employee cost was capitalized by USD 3.2 million in 2013 (USD 3.4 million in 2012).

Business development expenses represent the commercial project activities which are not subject for capitalization. See Note 16 for the Group's capitalization of investments in licenses, design and other intangibles.

Note 10 – Interest expenses

	2013	2012
Interest cost related to lease liabilities	7 102	7 674
Interest cost related to mortgage debt	16 264	16 632
Bond interest	2 980	2 464
Total	**26 346**	**26 770**

Bond interest of USD 7.1 million is capitalized as borrowing costs into newbuildings under construction (2012: NIL). (See Note 18). Refer to Note 22 for further disclosures of the Group's debt.

Note 11 – Expenses from other financial items

	2013	2012
Currency loss	62	1 099
Bank expenditures	67	58
Other financial cost	1 174	-
Total	**1 303**	**1 157**

Note 12 – Deferred tax and corporate income tax

Companies within the Group operate in jurisdictions where taxes are imposed, mainly Norway, UK, US, Singapore and Indonesia. Below table reconciles the Company's current income tax:

Current income tax expense/(income)	486	181

Reconciliation of income tax expense	2013	2012
Profit/(loss) before income tax	**(20 317)**	**11 420**
At Bermuda's statutory income tax rate of 0 %	-	-
Non deductible expenses for tax purposes	-	-
Adjustments in respect to current income tax of previous years	133	-
Effect of higher tax rates outside Bermuda	353	181
Income tax expense/(income) reported in the income statement	**486**	**181**
Effective tax rate	-2,4%	1,6%

Deferred tax relates to the following:

Deferred tax assets	2013	2012
Fixed assets	95	-
Pensions	185	238
Losses carried forward	1 705	1 939
Losses carried forward not recognized	(1 213)	(1 388)
Total deferred tax assets at 31 December	**772**	**789**

Note 13 – 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 2013 and 31 December 2012. The following reflects the net profit and outstanding shares used in the basic and diluted calculation.

	2013	2012
Net profit attributable to equity holders of the parent company	**(20 803)**	**11 239**
Number of outstanding shares 1 January	68 673 781	45 797 432
Number of oustanding shares 31 December	68 681 317	68 673 781
Share options	822 000	769 000
Weighted average number of outstanding shares	68 678 075	66 576 685
Earnings per share (EPS):		
> basic, profit for the year attributable to ordinary equity holders of the parent	(0,303)	0,1688
> diluted, profit for the year attributable to ordinary equity holders of the parent	(0,299)	0,1669

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

Note 14 – Share based payment

In 2012, the Company introduced a share option programme covering certain employees in senior positions. As at 31 December 2013, there were 23 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	2013	2012
Outstanding at 1 January		769 000	-
Granted during the year		70 000	786 000
Forfeited during the year		(17 000)	(17 000)
Exercised during the year		-	-
Expired during the year		-	-
Outstanding at 31 December	**NOK 53,00**	**822 000**	**769 000**
Exercisable at 31 December		274 000	-

For 2013, the expense recognised for employee services received during the year charged to the income statement for 2013 is USD 1.3 million (2012: USD 1.0 million).

The weighted average fair value of the share options granted during 2013 is NOK 16.27. 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 2013 was 3 years.

The following table lists the inputs to the models used for the plan for the years ended 31 December 2013:

Dividend yield (%):	0
Expected volatility (%) :	55%
Risk–free interest rate (%) :	1,72%
Expected life of share options (years):	4,69
Weighted average share price :	52,93
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 15 – Non-current financial assets and 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 22). 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 current portion of the mark -to-market valuations, see Note 22.

Non current financials assets at 31 December**:**

	2013	2012
Interest rate sw aps - designated as hedges	17 970	1 627
Other	16	22
Carrying amount at 31 December	**17 985**	**1 649**

Non-current financial liabilities at 31 December:

	2013	2012
Interest rate sw aps - designated as hedges	71 114	110 648
Total non-current financial liabilities	**71 114**	**110 648**

For further information on interest rate swaps, see Note 22.

Note 16 – 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	2013	2012
FLNG front-end engineering design	FLNG	37 002	37 002
Port Dolphin permits	Commercial	35 295	35 129
Compressed Energy Technology patents	Commercial	1 023	1 106
Carrying amount at 31 December		**73 321**	**73 237**

Additions, disposals, depreciation and impairment are set out below:

	2013	2012
Cost at 1 January	73 237	81 955
Additions	167	625
Sale of Port Meridian	-	(9 262)
Depreciation of patents	(83)	(81)
Cost at 31.December	**73 321**	**73 237**

The patents relating to Compressed Energy Technology are subject to linear depreciation over the life of 18 years. The FLNG front end engineering design and Port Dolphin permits are not subject to depreciation as the respective projects are not completed and ready for the intended use. The assets are therefore subject to an annual impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. Impairment testing has been conducted and recoverable amount has been calculated through value in use calculations. 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.

FLNG front-end engineering design

Since 2006, the Company 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 strategy of the Group is to own and operate floating liquefaction (FLNG) units on long term contracts. Currently, the main focus of the Company is on small scale barge based FLNG solutions. Longer tem the Company might also focus on offshore based FLNG solutions. Höegh FLNG has during 2013 performed two Front End Engineering Design ("pre-FEED") studies for barge FLNG solution with potential of developing into a project specific FEED in 2014.

All assets, liabilities and activities relating to the FLNG business are contained in Höegh FLNG Ltd, which is a subsidiary of Höegh LNG Holdings Ltd. Höegh FLNG Ltd. is planning to raise capital for ordering its first FLNG barge through an initial public offering of the Company.

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% (2012: 10.9%). The residual value after the 25 year prognosis period has been assumed to be 10% of the initial investment indexed by the 2.5% inflation assumption to the end of the period. Five scenarios have been analysed, four of them being represented by combinations of high and low lease rates, with or without construction cost overruns. A fifth scenario is that the FLNG is not built. Each scenario has been allocated a probability. As a result of the analysis, the Group did not identify any impairment for this cash generating unit to which intangible assets of USD 37 million are allocated.

Port 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 plan is to modify these permits to allow the use of stationary floating storage and regasification units. The Company is of the understanding that this will be possible without significant additional costs and time. The project is being marketed to potential users, and the plan is to capitalize on the investment in Port Dolphin Energy and maintain exclusivity to provide the FSRU on a long-term contract for the project or alternatively to sell the project.

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 10.1% (2012: 9.3%). The residual value at the end of the lease period has been assumed to be 21% of the initial investment indexed by the 2.5% 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.

Any potential decision by a third party to expand the pipeline capacity from the main gas grid in the United States to Florida would entail a significantly increased risk of impairment. Such a decision is outside the Group's control.

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 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 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% for the FLNG and 3% for Port Dolphin, impairment may result.

In the event that no investment decisions are made, there is a risk that the associated intangible asset may be impaired.

Note 17 – Vessels, equipment and depreciation

The tables below reconcile the carrying values of vessels:

Vessels	**2013**	**2012**
Cost at 01.01	561 708	506 862
Vessel acquisition cost and dry docking	3 147	54 846
Sale to green recycling - Norman Lady	(3 651)	-
Cost at 31 December	**561 205**	**561 708**
Accumulated depreciation 01.01	(78 025)	(57 108)
Depreciation charge vessels and depot spares	(26 346)	(18 842)
Accumulated depreciation Norman Lady	910	-
Depreciation charge dry docking	(2 648)	(2 074)
Accumulated depreciation 31.12	**(106 108)**	**(78 025)**
Net carrying amount at 31 December	**455 097**	**483 684**

Vessels are depreciated over 35 years.

The components that comprise the carrying amounts of investments in vessels as at 31 December are:

Net carrying amount 31 December	**2013**	**2012**
Vessels	448 169	476 200
Drydocking	1 973	2 558
Depot spares	4 956	4 926
Net carrying amount at 31 December	**455 097**	**483 684**

The table below reconcile the carrying value of equipment:

Equipment	**2013**	**2012**
Cost 01.01	5 165	3 284
Additions/(disposals) net	576	1 881
Cost at 31 December	**5 741**	**5 165**
Accumulated depreciation at 1 January	(2 264)	(980)
Depreciation charge	(1 192)	(1 284)
Accumulated depreciation and impairment at 31 December	**(3 456)**	**(2 264)**
Net carrying amount at 31 December	**2 285**	**2 901**

The below summarizes the total depreciation cost:

Depreciation	**2013**	**2012**
Vessels	26 346	18 842
Drydocking	2 648	2 074
Equipment	1 192	1 284
Other	529	532
Total	**30 714**	**22 733**

Note 18 – Investments in newbuildings

In addition to the four firm shipbuilding contracts entered into with Hyundai Heavy Industries Co. Ltd. in 2011 and 2012, the Company has further been granted a new option for one additional FSRU with delivery in mid 2017, if exercised.

Three FSRUs are expected to be delivered during first half 2014 and the fourth FSRU in first quarter of 2015.

The cost break down to the carrying amount for the investments in newbuilding on order at 31 December is specified as follows:

Investments in newbuildings	2013	2012
Cost 01.01	225 716	52 133
Borrowing cost (See Note 11)	12 327	-
Yard instalments paid to Hyunday Heavy Industries Co. Ltd.	131 071	156 036
Other capitalized cost	10 005	14 621
Net carrying amount at 31 December	**379 119**	**222 790**

When vessels are delivered from the yard, they are reclassified to vessels in operation, and depreciation is commenced. Estimated useful lives of the vessels are identical with vessels in operations.

The Company has signed an agreement with Perusahaan Gas Negara ("PGN") of Indonesia to provide an FSRU and mooring system. The FSRU will be provided under a 20 year lease agreements with two five year extension options. The FSRU will be located outside Lampung in South-Sumatra and is expected to start operations in June 2014.

The Group has entered into an agreement with AB Klaipedos Nafta of Lithuania to provide an FSRU. 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. The FSRU will be subject to a 10 year time charter agreement with a purchase option offered at the end of the lease period.

Note 19 – Other non-current assets

	2013	2012
Pre-contract costs time chartes	5 153	4 020
Arrangement, commitment fees on undrawn facilities	8 551	4 190
Other	81	517
Net carrying amount at 31 December	**13 785**	**8 727**

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.

Upon drawing on the project financing loans, the remaining debt issuance costs will be reclassified and netted against mortgage debt and amortized.

Note 20 – Trade and other receivables

	2013	2012
Trade recaivables	4 814	1 747
VAT net receivable	702	609
Prepayments	2 619	2 500
Receivables against external owners in Joint Ventures (Note 36)	325	672
Total	**8 460**	**5 528**

Note 21 – 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. The portfolio of marketable securities is managed by Höegh Capital Partners ASA. See Note 31 for transactions with related party.

Reconciliation of balance of marketable securities at year-end	2013	2012
Market value of marketable securities at 1 January	113 877	90 098
Fair value change and gain/loss on realization of securities	917	2 178
Purchase of marketable securities	-	205 000
Sale of marketable securities	(101 000)	(183 400)
Market value of marketable securities at 31 December	**13 794**	**113 877**

The security portfolio consists of following instruments:

	2013	2012
Norwegian Bonds	13 304	111 426
Foreign Bonds	-	3 690
Curency forwards	(85)	(3 000)
Cash holding	575	1 761
Marketable securities at fair value 31 December	**13 794**	**113 877**

Further information of marketable securities is disclosed in Note 22.

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

Profit or loss on marketable securities	2013	2012
Unrealised Gain/(loss) on bonds in portfolio	(3 241)	(3 918)
Interest Income	1 701	3 741
Profit/ (loss) from currency contracts and deposits	2 524	2 590
Administration costs portfolio	(65)	(235)
Total	**918**	**2 178**

The amounts in above table are presented as other financial income.

Note 22– Financial risk management objectives and policies

Capital Management

The objective of the Group's capital management is to maintain a sound financial position and maximize shareholder's return. The Company is seeking to balance the advantage of a strong balance sheet with the benefits of financial leverage, and maintain a strong creditor and investor confidence while at the same time minimizing the weighted average cost of capital.

The main priority of maintaining a strong financial position is to ensure access to funding at favourable terms. The Group's capital structure consists of debt listed in Note 25, marketable securities (Note 21), cash and cash equivalents (Note 23) and equity attributable to the shareholders of Höegh LNG Holdings Ltd. The shares of and the bonds issued by the Company are listed at the Oslo Stock Exchange. The Company is actively seeking to diversify the sources of funding available to the Company and is considering the establishment of a Master Limited Partnership to be listed in the U.S.

The Company monitors its capital structure in light of future cash flow projections, including any off-balance sheet capital commitments and available funding. The financial position of the Company is reported to the Senior Management, the Board of Directors and the Audit Committee on a regular basis. The Company's capital structure might be adjusted over time to reflect the risk characteristics associated with the underlying assets, the funding situation and the financial markets. In order to maintain or adjust the capital structure, the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets, pay dividends or return capital to shareholders.

As of December 31 2013, the Company had USD 890 million in remaining off-balance sheet capital commitment relating to the FSRU and mooring newbuilding programme, against USD 1.030 million in cash, marketable securities and available drawing under debt facilities, including commitment letters made available in subsequent events.

As of year-end 2013, the Group had a capital structure comprising 42%% equity net of hedging reserves. This is deemed sufficient given the nature of the Group's business and its existing commitments. The Company 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.

	2013	2012
Total equity excluding of hedging reserves	457 328	476 808
Total assets	1 100 998	1 072 126
Adjusted equity ratio	**42%**	**44%**

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

The Company 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. The Company has established procedures and policies for determining, mitigating and monitoring the risk exposures.

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. The Company'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 the Group's business transactions, capitalized assets and liabilities are denominated in USD, and the Group is 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 into USD and does not represent any currency risk to the Group. As of 31 December 2013, the Group held 92.5% (2012; 97.4%) of total cash in USD, 5.7% in NOK (2012: 2.1%) and the remaining in EUR, GBP and SGD.

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 project financing have been swapped into fixed interest for the length of the underlying commercial contract. Interest rates relating to most corporate financing have been swapped into fixed interest rate for the tenor of the facility. The following table sets out the outstanding swapped amounts as of 31 December 2013:

Loan facilities	Ownership	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Joint Gas Ltd. (Arctic Princess)	33,98%	55 071	100,00%	14.01.2031	5,7400 %
Joint Gas Two Ltd. (Arctic Lady)	50%	81 042	100,00%	15.04.2031	5,5390 %
SRV Joint Gas Ltd. (GDF Suez Neptune)	50%	128 359	96,00%	31.10.2029	5,8600 %
SRV Joint Gas Two Ltd (GDF Suez Cape Ann)	50%	130 671	95,30%	30.04.2030	5,8960 %
Höegh LNG Ltd. (Klaipedos Nafta)	100%	247 000	98,80%	29.11.2024	5,3019 %
Höegh LNG Holdings Ltd. (Bond)	100%	130 264	100,00%	03.10.2017	7,3317 %
Outstanding notional amounts		**772 408**			

As of 31 December 2013, the net mark-to-market valuation of the interest rate and currency swaps entered into was negative USD 75.2 million of which USD 68.2 million related to the interest rate swaps and USD 7.0 million related to the currency swap.

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). Changes on actuarial gains or losses on defined benefit plans are recorded as OCI.

Below table sets out the split of other comprehensive income for the years ended 31 December 2013 and 2012, respectively:

Other comprehensive income	2013	2012
Change in currency swap hedge (offset against bond liability)	(11 457)	4 472
Changes in interest rate swap hedges	76 191	(5 781)
Actuarial gains (loss) on defined benefit plans (See Note 26)	(103)	(1 630)
Other comprehensive income/(loss)	**64 632**	**(2 939)**

An increase in the floating interest rate of 100 basis points (1%), would impact the OCI positively by USD 28.6 million (in 2012 USD 40.5 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.

Maturity profile to financial liabilities at 31 December 2013:	< 1 year	1-5 years	> 5 years	Total
Instalment and interest on mortgage and bond	57 012	274 395	282 829	614 236
Instalment and interest on lease debt	11 530	45 750	144 003	201 283
Other financial liabilites	24 279	-	-	24 279
	92 822	**320 145**	**426 832**	**839 799**

Existing financial obligations totalling approximately USD 688 million (refer to table of liabilities set under fair values) 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 the Group's debt is based on the swapped fixed interest rates and maturity profile to the Group's swaps is presented below (negative amount is receivable):

Maturity profile to interest rate swaps at 31 December 2013:	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedges	22 064	46 757	(598)	68 224
Hedging inctruments	**22 064**	**46 757**	**(598)**	**68 224**

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 2013 and 2012 amounted to USD 19.0 million and USD 19.7 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. The purpose of a security portfolio is to earn a return after fees in excess of the return which can be earned for cash and time deposits. Investments are made in liquid 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 Company has not provided any guarantees for third parties' liabilities (reference is made to Note 32), 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 2013 and 2012 are all in the range of 30-60 days.

The marketable securities amounting to USD 13.8 million as at 31 December 2013 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 2013 and 2012.

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	
	2013	2012	2013	2012
Financial instruments at fair value through profit or loss				
Marketable securities	13 794	113 877	13 794	113 877
Derivatives in effective cash flow hedges	17 970	1 627	17 970	1 627
Total financial instruments at fair value	**31 764**	**115 504**	**31 764**	**115 504**
Loans and receivables at amortised cost				
Trade and other receivables	8 460	5 550	8 460	5 550
Total loans and receivables	**8 460**	**5 550**	**8 460**	**5 550**
Cash and cash equivalents (including restricted cash)	83 621	155 935	83 621	155 935
				-
Total	**123 845**	**276 988**	**123 845**	**276 988**
Total current	**93 323**	**253 067**	**93 323**	**253 067**
Total non-current	**30 522**	**24 901**	**30 522**	**23 922**

	Carrying amount			Fair value	
	2013	2012		2013	2012
Financial liabilities at fair value through other comprehensive income					
Derivatives in effective cash flow hedges	93 178	130 113		93 178	130 113
Total financial liabilities at fair value	**93 178**	**130 113**	-	**93 178**	**130 113**
		-			
Other financial liabilities at amortised cost		-			
Trade and other payables	12 432	11 940		12 432	11 940
Other financial liabilities	11 847	480		11 847	480
Interest-bearing loans and borrowings	570 608	565 995		535 008	493 274
Total other financial liabilities at amortised cost	**594 887**	**578 415**		**559 287**	**505 694**
Total	**688 065**	**708 528**		**652 465**	**635 807**
Total current	**81 653**	**59 199**		**114 141**	**59 199**
Total non-current	**606 412**	**649 328**		**538 325**	**576 608**

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 value of each class of financial instrument:

- 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.
- 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 the NOK 750 million bonds are listed on Oslo Børs (ticker "HLNG01"), fair value of the bonds is disclosed based on traded information (103.5% on 31 December 2013, 101.0% on 31 December 2012).
- The Group 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 techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2013:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Marketable securities	-	13 794	-	13 794
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	17 970	-	17 970
Total assets	**-**	**31 764**	**-**	**31 764**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	127 595			127 595
Lease debt	-	141 701	-	141 701
Mortgage debt	-	265 712	-	265 712
Derivatives used for hedging				-
Derivatives in effective cash flow hedges	-	93 178	-	93 178
Total liabilities	**127 595**	**500 591**	**-**	**628 186**

The table below presents fair value measurements to the Group's assets and liabilities at 31 December 2012:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Marketable securities	-	113 877	-	113 877
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	1 627	-	1 627
Total assets	**-**	**115 504**	**-**	**115 504**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	133 723	-	-	133 723
Lease debt	-	137 712	-	137 712
Mortgage debt	-	221 839	-	221 839
Derivatives used for hedging				-
Derivatives in effective cash flow hedges	-	137 712	-	137 712
Total Liabilities	**133 723**	**497 263**	**-**	**630 986**

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date and are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2013 and 2012, there were no transfers between any of the levels. Refer to Notes 15 and 22 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 23 – Unrestricted and restricted cash deposits

Bank deposits at year end	2013	2012
Current cash and cash equivalents	56 487	129 972
Restricted bank deposits *)	13 595	1 800
Restricted bank deposits in joint ventures (non current)	12 552	23 253
Employee tax w ithholding accounts	988	912
Total	**83 621**	**155 937**
Non-current cash	**12 552**	**23 253**
Current cash	**71 069**	**132 684**

*) At 31 December 2013 the amount of USD 10.7 million was deposited in an account assigned to Standard Chartered Bank supporting a LOC in favour of PGN for the Lampung FSRU project.

Restricted bank deposits in Joint Ventures relate to requirements under the SRV financing whereof an amount equal to six months debt service must be deposited on an escrow account.

Note 24 – Equity

Number of shares	Par value	2013	2012
Ordinary shares authorized	USD 0,01	150 000 000	75 000 000
Total number of shares issued and fully paid	**USD 0,01**	**69 893 055**	**69 885 519**

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
Share issue 7 June 2013	7 536	0,01	0,08
Shares and share capital at 31 December 2013	**69 893 055**		**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 2013	**1 211 738**		**12**

Total outstanding shares at 31 December 2013	**68 681 317**

Höegh LNG Holdings Ltd. has one class of shares. The Board has not proposed any dividend to be paid for the year 2013 (in 2012: NIL).

Shareholders as of 31 December 2013 are specified below:

20 largest shareholders as at 31 December 2013		Ownership (#)	Ownership (%)
Leif Hoegh and Co Ltd.	(See Note 31)	31 027 210	44,39%
JP Morgan Clearing		5 356 291	7,66%
The Bank of New York		3 606 818	5,16%
Nordea Nordic Small		2 051 608	2,94%
UBS AG, London Branch		2 046 911	2,93%
JP Morgan Chase Bank		1 492 435	2,14%
Fidelity Funds-Nordic		1 366 300	1,95%
Skandinaviska Enskilda		1 302 228	1,86%
Methane Ventures Limited	(See Note 31)	1 211 738	1,73%
Verdipapirfondet DNB		1 120 233	1,60%
Morgan Stanley & Co		1 119 717	1,60%
Fondsfinans Spar		725 000	1,04%
Blackrock Global Smallcap		624 400	0,89%
Spesialfond KLP Alfa Global		565 923	0,81%
MP Pensjon PK		551 530	0,79%
Ilmarinen Mutual Pension		515 000	0,74%
Odin Maritim		488 562	0,70%
JP Morgan Clearing Corp		483 882	0,69%
Verdipapirfondet WarrenWicklund		447 675	0,64%
Verdipapirfondet DNB Small		385 000	0,55%
		56 488 461	**80,82%**
Other shareholders		**13 404 594**	**19,18%**
Total shares		**69 893 055**	**100,00%**

Note 25 – Total interest bearing debt

The below tables present the Group's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2013 and 2012, respectively. All debt except for the bond loan (NOK) is denominated in USD. Reference is made to Note 22 where a summary of the maturity profile for all financial liabilities is presented.

Interest bearing debt at 31 December 2013	Non-current	Current	Total
Klaipedos Nadta FSRU Facility	15 212	843	16 055
Bond	121 355	-	121 355
Arctic leases	131 408	4 706	136 113
GDF Suez Neptiune and GDF Suez Cape Ann facility	260 168	9 761	269 929
USD 30 million Revolving Credit facility	-	20 000	20 000
Methane Ventures Limited Facility	7 155	-	7 155
Total	**535 298**	**35 310**	**570 608**

Interest bearing debt at 31 December 2012	Non-current	Current	Total
Bond	132 788	-	132 788
Arctic leases	136 113	4 481	140 594
GDF Suez Neptiune and GDF Suez Cape Ann facility	269 779	9 175	278 954
Methane Ventures Limited Facility	-	6 997	6 997
Total	**538 680**	**20 653**	**559 333**

Mortgage debt

GDF Suez Neptune and GDF Suez Cape Ann Facility

On 20 December 2007, the joint ventures owning GDF Suez Neptune and GDF Suez Cape Ann each entered into a USD 300 million secured credit facility for the financing of the respective vessels. As of 31 December 2013 the Group's 50% share of the outstanding amount under the facilities totalled USD 269.9 million. Each facility has a tenor of 12 years and a repayment profile of 20 years. Repayments are due quarterly and started in April 2010 and October 2010, respectively. Each facility has a floating interest rate equal to LIBOR plus a margin. LIBOR has been swapped into a fixed interest rate for the length of the underlying commercial contract.

Klaipedos Nafta FSRU Facility

On 28 November 2012, the Company entered into a USD 250 million senior secured credit facility for the financing of the Klaipedos Nafta FSRU. The facility is guaranteed 50% by the Korean credit agency K-sure and 25% by the Norwegian credit agency GIEK. It has a tenor of 7 years and an overall repayment profile of 16 years. As of 31 December 2013, USD 16 million had been drawn under the facility. Repayments are due quarterly starting 3 months after delivery of the FSRU. The facility has a floating interest rate equal to LIBOR plus a margin. LIBOR has been swapped into a fixed interest rate for the length of the underlying commercial contract.

USD 299 million Term Loan Facility and USD 10,700,000 Standby Letter of Credit Facility

On 13 September 2013, PT Hoegh LNG Lampung entered into a USD 299 million senior secured term loan facility for the financing of the PGN FSRU and Mooring and a USD 10.7 million standby letter of credit facility for the purpose of guaranteeing the Company's FSRU and Mooring delivery obligations. The USD 299 million term loan facility comprises two tranches, one FSRU tranche and one Mooring tranche. The FSRU tranche is 75% guaranteed by the Korean credit agency K-sure, has a 7 year post delivery tenor and a blended repayment profile of 12.5 years with quarterly repayments starting 3 months after delivery of the FSRU. The Mooring tranche is due for repayment upon delivery of the Mooring to the client. Both tranches have floating interest rate equal to LIBOR plus a margin. LIBOR under the FSRU tranche has been swapped into a fixed interest rate for the length of the financing. First draw down under the USD 299 million term loan facility was made in March 2014.

FSRU Facility of USD 288 million

In June 2011, Höegh LNG Ltd. entered into a USD 288 million senior secured debt facility for the financing of two of the FSRUs under construction at HHI. The facility is allocated FSRU#3 (hull number 2550) and FSRU#4 (hull number 2551) and intended to be cancelled upon financial close of the USD 412 million long term financing of FSRU#3 and #4 mentioned below.

USD 412 million Senior Secured Credit Facility

The Company has received commitments letters for a USD 412 million senior secured credit facility for the financing of FSRU #3 (hull number 2550) and FSRU#4 (hull number 2551) under construction at HHI. The facility has a five year post delivery tenor and a fifteen years repayment profile with quarterly repayments starting 3 months after delivery of the respective FSRUs. The facility has floating interest rate equal to LIBOR plus a margin. The intention is to swap LIBOR into a fixed interest rate upon financial close of the facility. Commitments under the facility are subject final documentation, which is in progress.

USD 30 million Revolving Credit Facility

On 20 December 2013, the Company entered into a USD 30 million revolving credit facility for working capital purposes. The loan was repaid and cancelled on 14 March 2014.

Methane Ventures Limited Facility

A subsidiary of the Group has since 2006 a credit facility in place for the purpose of funding investments in the Company. As of 31 December 2013, the amount outstanding under the facility was USD 7.2 million. The loan carries an interest equal to LIBOR plus a margin and matures on 31 July 2016.

Lease liabilities

Arctic Princess and Arctic Lady are financed under 25 year UK leases, and the Group's obligations related to the leases have been included as debt in the balance sheets. As per 31 December 2013, the total debt for the Group related to these lease facilities amounts to USD 140.6 million.

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. Proceeds from the bond was used for general corporate purposes.- The bond bears interests at 3 months NIBOR plus a margin of 6% payable quarterly. The parent Company has entered into a cross currency interest rate swap from NOK to USD and from floating to a fixed interest rate of 1.3%. The bonds are listed at the Oslo Stock Exchange. As of 31 December 2013, the book value of the bonds was USD 123.3 million.

Credit Lines

Revolving Bid Bond Facilities

During 2013 the Group entered into USD 10 million bid bond facilities with each of Standard Chartered Bank and Citibank. The facilities are guaranteed by Höegh LNG Holdings Ltd. and are issues by the lenders on an annual renewal basis. Issuances in the value of USD 0.8 million has been made per 31 December 2013 under the facilities.

Debt and lease restrictions

Existing credit facilities impose restrictions which may limit or prohibit the Company's ability to incur additional indebtedness, create liens, sell shares in subsidiaries, commit to new capital expenditure, pay dividends, engage in mergers and acquisitions, or purchase and sell vessels without the consent of lenders. In addition, lenders may accelerate the maturity of the indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of defaults, including a failure to comply with any of the covenants contained in the financing agreements. Various debt agreements of the Company contain covenants which require the compliance with certain covenants. With regard to such covenants, the Company has to maintain a minimum equity (adjusted for marked-to-market of hedging reserves) of USD 200 million, a minimum equity ratio (adjusted for marked-to-market of hedging reserves) of 25%, and a minimum free cash positions of USD 40 million, and can not take on new capital commitments unless the pro-forma equity ratio (adjusted for marked-to-market of hedging reserves) is minimum 30% after adding such new capital commitment to the total asset in the quarter in which the Company commit to such new capital commitment. Furthermore, certain debt agreements contain provisions triggering a change of control if the Høegh family and/or the Leif Höegh & Co. Ltd. group of companies ceases to own (directly or indirectly) at least 1/3 of the shares in or to be the major shareholder of the Company.

Note 26 – Pension schemes

Norwegian employers are obliged to have an occupational pension scheme for their employees under the Act on mandatory occupational pension. The Company is in compliance with these regulations. A defined benefit plan valid only for the employees in Norway was discontinued on 1 December 2012 and replaced by defined contribution plans. The consequence in 2012 was a reduction of pension liabilities and administration cost by USD 5.6 million. Remaining obligations (See Note 27) relate to 7 of key Management who will receive a fixed amount if still employed when retiring at the age of 67.

The contributions made to the defined contribution pension plan for full-time employees equal 5-8% of the employee's salary. 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.

The Company also 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.

Expensed pension cost was USD 0.5 million in 2013 (compared to a restated pension income of USD 6.3 million in 2012). Reference is made to Notes 8 and 9.

Note 27 – Other long-term liabilities

	2013	2012
Deferred income	10 341	10 799
Pension liabilities (See Note 26)	1 046	857
Total	**11 386**	**11 656**

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 28 – Trade and other payables

	2013	2012
Suppliers	8 126	7 028
Public duties payable and holiday pay	4 306	4 912
Other payables	-	112
Total	**12 432**	**12 052**

Outstanding trade and other payables as at 31 December 2013 fall due between 30 -180 days.

Note 29 – Provisions and accruals

	2013	2012
Provision of bonus including of payroll tax	574	630
Prepaid charterhire	1 237	853
Commited cost on purchase orders	818	750
Other provision	9 813	5 748
Total	**12 442**	**7 981**

Outstanding provisions as at 31 December 2013 are estimated to fall due between 30-60 days.

Note 30 – Other current financial liabilities

	2013	2012
Interest rate swaps designated as effective hedging instruments *	22 064	19 465
Accrued interest on lease liabilities	1 501	1 614
Accrued interest on mortgage debt	2 739	2 686
Accrued interest on bond	2 361	2 361
Accrued commitment fees on undrawn facilities	675	-
Other current financial liabilities	4 571	480
Total	**33 911**	**26 606**

* The interest rate swap agreements are designated as effective hedging instruments. The current portion of the liabilities related to the interest rate swap agreements' mark-to-market as at 31 December is presented above. For further information on interest rate swaps, see non.-current portion specified in Note 15 and additional disclosures in Note 22.

Note 31 – Transactions with related parties

Transactions with joint ventures

The Group 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 2013 and 2012.

Joint venture in which the Group is a venturer	**2013**	**2012**
Joint Gas Ltd.	41	41
Joint Gas Two Ltd.	31	31
SRV Joint Gas Ltd.	646	663
SRV Joint Gas Two Ltd.	753	758
Methane Carriers Limited	492	488
Total	**1 965**	**1 981**

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 5. The Company has a total receivable against external owners of joint ventures amounting to USD 0.3 million as at 31 December 2013 - see Note 20. The equivalent amount at 31 December 2012 was USD 0.7 million.

Transactions with other related parties

Höegh Autoliners Management AS

The Company considers Höegh Autoliners Holdings Ltd to be a related party as Morten W. Høegh (Chairman) and Leif O. Høegh (Deputy Chairman) both indirectly hold significant ownership in both companies. 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 including rent of premises for 2013 and 2012:

Administrative services from	**2013**	**2012**
Höegh Autoliners Management AS	1 937	2 436
Total	**1 937**	**2 436**

Höegh Capital Partners ASA

The Company has an agreement with Höegh Capital Partners 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 13.8 million as at 31 December 2013 (USD 113.9 million in 2012). See Note 21. Management fee for 2013 amounted to USD 0.1 million.

OEC Consulting

Gunnar Knutsen is a consultant and partner with OEC Consulting AS and served as Chief Executive Officer of Höegh FLNG Ltd. up to 1 September 2013. OEC Consulting AS has rendered management consultant services for USD 3.2 million and in 2012 for USD 4.0 million.

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 the Company a royalty free licence for the use of the name and trademark "Höegh LNG" and the Höegh funnel mark (the 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 one third (33.33%) 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 (the flag).

Höegh Autoliners (UK) Limited

The Group also receives pool distribution from one car carriers (two car carriers until 5 June 2013), which is recognised as charter income. The vessels have been operated for the account of Höegh Autoliners (UK) Limited through a risk benefit agreement and the Group receives a margin of 3% of the net profits, which amount to USD 0.4 million in 2013. (2012: USD 0.6 million).

Terms and conditions of transactions with related parties

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

Key Management and Board of Directors' remuneration

The remuneration to the Key management (consisting of three executives) and Board of Directors during 2013 and 2012 is presented below:

Remuneration to the key management and Board of Directors:	2013	2012
Salaries	1 954	2 659
Share-based payment expense (Note 14)	568	555
Other taxable benefits	286	133
Pensions	69	229
Board of Directors Fee	311	243
Total	**3 189**	**3 819**

Co-investment company for Management

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. Höegh LNG Holdings Ltd. owned 54.4% of the shares in Methane Ventures Limited at 31 December 2013, and the remaining 45.6% of the shares are owned by the Company's Management. Methane Ventures Limited owned 1 211 738 shares in the Company as at 31 December 2013. The Management's co-investment in Methane Ventures Limited has been extended beyond the initial term and now expires no later than 31 July 2016. Upon termination of the co-investment scheme, the owners of 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% increase in the share price.

Note 32 – 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% and 50% ownership, respectively (see Note 33), and are sub-chartered to Leif Höegh (U.K.) Limited, a wholly-owned subsidiary of Höegh LNG Ltd. As of year-end 2013, Leif Höegh (U.K.) Limited has remaining charter commitments for the two vessels of USD 248 million, as specified in the table below.

Specification of bareboat hire to be paid (in million USD)	2013	2012
Within one year	21	21
Between one and five years	82	82
More than five years	145	166
Total	**248**	**268**

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;

	2013		2012	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
< 1 year	(11 629)	(11 448)	(11 855)	(11 400)
Between 1-5 years	(46 225)	(41 030)	(46 776)	(39 853)
> 5 years	(143 937)	(91 415)	(156 888)	(86 458)
Total minimum lease payments	(201 791)	(143 893)	(215 519)	(137 711)
Less finance charges	57 898		77 808	
PV of minimum lease payments	**(143 893)**	**(143 893)**	**(137 711)**	**(137 711)**

The payments are discounted by an annual interest of 4.28% (5.05% in 2012).

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. No notice as to disallowing the allowances has been given to date.

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 Ltd. has a 50% 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, which has been counter-guaranteed by the Company. Höegh LNG Ltd. has further granted the financiers a negative pledge of the Company's shares (current and future) in each of the SRV JG companies.

The SRV JG companies have under the respective loan agreement granted a mortgage with collateral deed of covenants over the relevant vessel, assigned its rights under the relevant time charter and the swap agreements in favour of the financiers and further the SRV JG companies' bank accounts are pledged in favour of the financiers.

Höegh LNG Ltd. has also 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%). This guarantee is counter-guaranteed by the Company.

FSRU newbuilding programme
The total delivered cost of the newbuildings programme of the four FSRU's to be delivered in the period Q1-2014 to Q1-2015 is approximately USD 1.2 billion. Below is an overview of the payment profile for the remaining instalments under the shipbuilding contracts with Hyundai Heavy Industries Ltd.:

Remaining yard payments FSRU Newbuildings	Within 6 months	In period of 6-12 months	In period of 12-24 months
FSRU New building programme	72%	4%	24%

The Company has issued parent company guarantees to HHI guaranteeing Höegh LNG Ltd.'s obligations under the shipbuilding contracts for Hull 2550 and Hull 2551 in the maximum amount of USD 110.7 million and USD 108.7 million, respectively.

Mooring Engineering, procurement and construction (EPC) contract
As part of the PGN project, the Company has entered into an EPC with SOFEC to develop and construct a Tower Yoke Mooring Facility at Lampung. Total remaining commitment as at 31 December 2013 is approximately USD 11 million.

Klaipedos Nafta FSRU newbuilding (Hull 2549) – Financing
In November 2012, Höegh LNG Ltd. (as borrower) entered into a USD 250 million facilities agreement fully guaranteed by the Company. In addition, the facilities are guaranteed by Hoegh LNG Klaipeda, UAB and Hoegh LNG Klaipeda Pte. Ltd. Further, the following securities have been granted to the financiers: (i) assignment of all project agreements, guarantees and swap agreements; (ii) pledge of all project accounts; and (iii) pledge over the shares in the project companies Hoegh LNG Klaipeda, UAB and Hoegh LNG Klaipeda Pte. Ltd. On delivery of the FSRU a mortgage and deed of covenants will be granted in favour of the financiers.

PGN FSRU newbuilding (Hull 2548) and mooring – Financing
In September 2013, PT Hoegh LNG Lampung as borrower entered into a USD 310 million facility agreement for the financing of its Indonesian FSRU and mooring project which included a USD 299 million Term Loan Facility and a USD 10.7 million Standby Letter of Credit Facility for the purpose of guaranteeing the FSRU and Mooring delivery obligations. The expiry date of the letter of credit is 2 December 2014. Korea Trade Insurance Corporation (K-sure) has guaranteed USD 178.6 million of the term loan facility (the "ECA Covered Facility").

The Company has pursuant to separate guarantees in favour of the finance parties under the facility agreement guaranteed:

- all amounts due under the finance documents until the date falling 180 days after acceptance of the FSRU by the customer;
- the balloon repayment instalment of the FSRU tranche plus any accrued interest thereon; and
- the required credit balance on the debt service reserve account.

Further, the Company is obligated to issue a guarantee in respect of outstanding debt (less insurance proceeds for vessel force majeure if relevant) if the LOM is terminated due to an event of vessel force majeure and an agreement with the charterer for the acquisition of 50% of the vessel has not been reached within a certain period of time.

The Company has also guaranteed in favour of K-sure all amounts due in respect of the ECA Covered Facility in the event that the export credit agent exercises its prepayment right for the export credit tranche if the PGN FSRU Lampung tranche is not refinanced. 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 PT Hoegh LNG Lampung and Hoegh LNG Lampung Pte. Ltd. are pledged in favour of the financiers. Further a mortgage will be granted over the FSRU on delivery.

HHI FSRU newbuildings Hull 2550 and Hull 2551 – Financing

USD 288 million Senior Secured Credit Facility
For the part financing of the HHI FSRU newbuilding Hull 2550 and HHI FSRU newbuilding Hull 2551, Höegh LNG Ltd. has entered into a USD 288 million facility agreement. No drawdown has been made under this facility as to date. The Company has guaranteed the borrower's obligations under the facility agreement for an amount up to USD 345.6 million.

In addition, Höegh LNG Ltd. has or will grant 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.

USD 412 million Senior Secured Credit Facilities
The USD 412 million senior secured credit facilities for which the Company has received commitment letters, will replace the USD 288 million Senior Secured Credit Facility for financing of the HHI FSRU newbuildings Hull nos. 2550 and 2551 once the facility has been signed. The facility is guaranteed by each of the Company and Höegh LNG Ltd. Further, the following securities will be established: account security deeds, shares security deeds (in respect of the shares of the borrowers), mortgage over the vessels with deed of covenants (if applicable), management agreement assignment, pre-delivery security assignments, time charter assignment and swap contract assignment.

Revolving Bid Bond Facilities
Höegh LNG Ltd. has entered into USD 10 million bid bond facilities with each of Standard Chartered Bank and Citi. The facilities are guaranteed by Höegh LNG Holdings Ltd. Outstanding amount under the facility with Citi is USD 0.8 million. (No outstanding amount with Standard Chartered Bank).

USD 30 million short term revolver facility
Höegh LNG Ltd. entered into in December 2013 an up to USD 30 million short term revolver facility secured by first priority mortgage in the LNG Libra and her insurances and a guarantee by Höegh LNG Holdings Ltd. As of 31 December 2013, a draw down of USD 20 million was made.

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

Höegh FLNG – office lease
The Company has guaranteed payment of up to six months' office lease for the premises in Drammensveien 123, 0277 Oslo, Norway used by Höegh FLNG.

Note 33 – List of subsidiaries and joint ventures

Company		Registered Office	Country	Principal activity	Ownership in % 2013	2012
Subsidiaries:						
Höegh LNG Ltd.		Hamilton	Bermuda	Holding	100	100
Höegh LNG AS		Oslo	Norway	Management	100	100
Höegh LNG Fleet Management AS		Oslo	Norway	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
Hoegh LNG Shipping Services Pte. Ltd.		Singapore	Singapore	Manufacturing/repair of marine engine/spare parts	100	-
Hoegh LNG Maritime Management Pte. Ltd.		Singapore	Singapore	Ship management	100	-
Höegh Fleet Services Rijeka d.o.o	1)	Rijeka	Croatia	Crewing Agency	100	100
Port Dolphin Energy LLC		Delaware	USA	Business development	100	100
Port Dolphin Holding Company, LLC		Delaware	USA	Holding	100	100
Compressed Energy Technology AS		Oslo	Norway	Business development	100	100
HöeghStream LNG Ltd.		Georgetown	Cayman Island	Management	100	100
Methane Ventures Limited		Road Town	BVI	Investment	54,3	54,3
Höegh FLNG Ltd.		Hamilton	Bermuda	FLNG business	100	100
Hoegh LNG Klaipeda Pte. Ltd.		Singapore	Singapore	Shipowning	100	100
Hoegh LNG Klaipeda, UAB		Vilnius	Lithuania	FSRU Operation	100	100
Hoegh LNG Lampung Pte. Ltd		Singapore	Singapore	Holding	100	100
Frontier Gas Ltd.		Georgetown	Cayman Island	Dormant	100	100
PT Hoegh LNG Lampung	3)	Jakarta	Indonesia	Shipowning	49	-
Joint Ventures:						
Joint Gas Ltd.		Georgetown	Cayman Island	Shipowning	34	34
Joint Gas Two Ltd.		Georgetown	Cayman Island	Shipowning	50	50
Methane Carriers Limited		Nassau	Bahamas	Shipowning	50	50
SRV Joint Gas Ltd.		Georgetown	Cayman Island	Shipowning	50	50
SRV Joint Gas Two Ltd.		Georgetown	Cayman Island	Shipowning	50	50
PNG Floating LNG Holdings Limited		Singapore	Singapore	Holding	33	33
PNG Floating LNG Limited	2)	Singapore	Singapore	Business dev.	33 [2]	33 [2]

1) Under liquidation.

2) PNG Floating LNG Holdings Limited owns 100% of the shares in PNG Floating Limited.

3) The Group consolidates PT Hoegh LNG Lampung as it controls all of the economic interest in the Company.

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

Note 34 – Subsequent events

On 27 January 2014 Höegh LNG received commitment letters for a USD 412 million Senior Secured Credit Facility for the financing of FSRU #3 (hull number 2550) and FSRU #4 (hull number 2551) under construction at HH.

On 3 February 2014 and 27 February 2014, Höegh LNG granted 1 290 000 and 100 000 options, respectively, to senior management and other key employees of the Company at a strike price of NOK 47 per share. The options will vest with one third on 31 December 2015, 2016 and 2017, respectively, and will elapse on 31 December 2018. The options are granted as part of the share option program introduced by the Company in 2012 for senior management and other key employees, where the intention is to grant new options on a bi-annual basis. The total number of options granted in Höegh LNG after this round of grants is 2 172 000.

There are no other subsequent events to report as of 27 March 2014.

FINANCIAL STATEMENTS AND NOTES TO HÖEGH LNG HOLDINGS LTD. (PARENT) FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of comprehensive income

USD'000	Notes	Year ended 31 December 2013	2012
Administrative expenses	3	(5 280)	(3 018)
Operating result		**(5 280)**	**(3 018)**
Interest income	4	14 387	16 936
Interest expenses	12	(10 124)	(2 464)
Income from other financial items	5	917	2 178
Expenses from other financial items		(16)	(296)
Profit for the year before tax		**(116)**	**13 335**
Tax		-	-
Profit for the year after tax		**(116)**	**13 335**
Other comprehensive income			
Items that may be subsequently reclassified to pofit or (loss)			
Recalssified during the year to profit or (loss) on cash flow hedges		(186)	(359)
Net unrealized gain / (loss) on cash flow hedges		522	(2 486)
Other comprehensive income for the year		**336**	**(2 845)**
Total comprehensive income for the year		**220**	**10 490**

Statement of financial position

USD'000	Note	Year ended 31 December 2013	2012
Assets			
Non-current assets			
Shares in group companies	7	158 523	157 156
Intercompany receivables	8	530 663	358 663
Other receivables		16	22
Other non-current financial assets		-	1 627
Total non-current assets		**689 202**	**517 468**
Current assets			
Prepayments		107	138
Marketable securities (See note 22 in Group accounts)		13 794	113 877
Restricted cash		1 094	-
Cash and cash equivalents	10	10 959	83 439
Total current assets		**25 954**	**197 454**
TOTAL ASSETS		**715 156**	**714 921**
Equity and liabilities			
Equity			
Share capital	11	698	698
Share premium reserve		344 258	344 198
Hedging reserves		(2 509)	(2 845)
Other paid in equity (See note 14 in Group accounts)		2 400	1 034
Retained earnings		236 230	236 347
Total equity		**581 078**	**579 433**
Non-current liabilities			
Other non-current financial liabilities (see note 22 in Group accounts)	9	9 363	-
Bond	12	121 355	132 788
Total current liabilities		**130 718**	**132 788**
Current liabilities			
Other current financial liabilities		130	-
Accrued interest Bond	12	2 361	2 361
Trade and other payables		869	339
Total current liabilities		**3 360**	**2 700**
TOTAL EQUITY AND LIABILITIES		**715 156**	**714 921**

Hamilton/Copenhagen, 27 March 2014.

The Board of Directors and the President

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

USD'1000	Share capital (Note 11)	Share premium reserve	Other paid in equity	Hedging reserves	Retained earnings	Total equity
At 31 December 2011	**470**	**142 488**	**-**	**-**	**223 011**	**365 968**
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 (note 16 Group accounts)	-	-	1 034	-	-	1 034
Transaction costs	-	(6 788)	-	-	-	(6 788)
Total omprehensive income 2012	-	-	-	(2 845)	13 335	10 490
At 31 December 2012	**698**	**344 198**	**1 034**	**(2 845)**	**236 346**	**579 432**
Issue of share capital (7 June 2013)	-	60	-	-	-	60
Share based payment (note 16 Group accounts)	-	-	1 366	-	-	1 366
Total omprehensive income 2013	-	-	-	336	(116)	220
At 31 December 2013	**698**	**344 258**	**2 400**	**(2 509)**	**236 230**	**581 078**

Statement of cash flows

		Year ended 31 December	
USD'000	**Note**	**2013**	**2012**
Cash flows from operating activities:			
Profit of the year		(116)	13 335
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments on marketable securities		(917)	(2 178)
Realized (gains) on from marketable securities		-	-
BoD remuneration	11	60	60
Interest income	4	(14 387)	(16 936)
Interest expenses	12	10 124	2 464
Working capital adjustments			
Changes in accounts receivable and payable		(529)	51
Net cash generated from operating activities		**(5 765)**	**(3 204)**
Investing activites:			
Proceeds from sale of marketable securities (note 21 in Consolidated accounts)		101 000	183 400
Purchase of marketable securities		-	(205 000)
Interest received		101	43
Net cash flow used in investing activities		**101 101**	**(21 557)**
Financing activites:			
Issue of share capital		-	208 667
Proceeds from borrow ings / bond		-	130 264
Transaction costs bond		(417)	(2 050)
Interest payment bonds		(9 683)	-
Transaction cost of issue of shares		-	(6 788)
Payment of intercompany borrow ings	14	(157 715)	(234 792)
Net cash flow used in financing activities		**(167 815)**	**95 301**
Net increase/(decrease) in cash and cash equivalents		**(72 479)**	**70 540**
Cash and cash equivalents at 1 January		83 439	12 899
Cash and cash equivalents at 31 December	10	**10 959**	**83 439**

Note 1 – Corporate information

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

Note 2 – Summary of significant accounting policies

Please refer to information provided in Note 2 of the consolidated financial statements.

Note 3 – Administrative expenses

	2013	2012
Remuneration to Board members	230	160
Audit fees	213	270
Preparation for US lisitng of MLP	2 422	-
Legal fees	353	626
Consultants	569	425
Intercompany management fees	1 397	1 459
Miscellaneous expenses	97	79
Total	**5 280**	**3 018**

Note 4 – Interest income

	2013	2012
Interest on intercompany loan to Höegh LNG Ltd.	13 803	16 603
Interest on loan to Methane Ventures Limited	372	289
Interest on loan to Höegh FLNG Ltd.	110	-
Other interest income	101	44
Total	**14 387**	**16 936**

For outstanding interest bearing receivables see Note 8. Reference is made to Note 14 for transactions with related parties.

Note 5 – Income from other financial items

Please refer to information provided in Note 21 of the consolidated financial statements.

Note 6 – Other comprehensive income

	2013	2012
Change in carrying value of bond	11 457	(4 472)
Change in fair value of actual swap	(11 120)	1 627
Total	**336**	**(2 845)**

The Bond of NOK 750 million, see Note 13, has been re-measured by USD 11.5 million during the year due to the stronger 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%. 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%. As per year end there is a negative change in the fair value of the swap of USD 11.1 million.

Note 7 – Shares in group companies

	2013	2012
Cost at 01.01	157 156	106 122
Repayment of capital from Höegh LNG Ltd	-	(41 482)
Conversion of shareholders loan to Höegh LNG Ltd. to paid-in capital	-	50 000
Acquisition of shares in Höegh FLNG Ltd.	-	41 482
Share based payments	1 367	1 034
Cost at 31 December	**158 523**	**157 156**

Carrying amount per group company at 31 December	2013	2012
Höegh LNG Ltd.	116 211	114 844
Methane Ventures Limited	830	830
Höegh FLNG Ltd.	41 482	41 482
At 31 December	**158 523**	**157 156**

The parent Company has during 2013 not made new direct investments in subsidiary companies. The process of a stock listing of Höegh FLNG Ltd. is progressing and expected to be completed within the second half of 2014 given that the conditions are present.

Group company	Registered office	Ownership share	Carrying amount	Book equity 31 Dec. 2013	Book equity 31 Dec. 2012
Höegh LNG Ltd.	Bermuda	100,00%	107 693	123 638	79 457
Methane Ventures Limited	BVI	54,37%	830	2 530	3 260
Höegh FLNG Ltd	Bermuda	100,00%	50 000	31 574	37 242

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

Note 8 – Non-current interest bearing receivables

	2013	2012
Intercompany receivables Höegh LNG Ltd.	519 342	354 238
Intercompany receivables Methane Ventures Limited	4 897	4 424
Intercompany receivables Höegh FLNG Ltd.	6 425	-
Value at 31 December	**530 663**	**358 663**

The parent Company has entered into a facility loan agreement with Höegh LNG Ltd. of USD 600 million. The interest rate of the facility has a margin of 2.5% plus 3 months LIBOR. Repayment of this facility shall be done in one or several amounts as agreed between the Company and Höegh LNG Ltd.

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

Note 9 – Other non-current financial liabilities

	2013	2012
Interest rate swaps (CCIRS) - designated as hedge reserve	9 363	-
Value at 31 December	**9 363**	**-**

Reference is made to Note 22 in Group accounts for further disclosures of the cross currency interest swap.

Note 10 – Cash and cash equivalents

Current cash by currency as of 31.12

Currency	Exchange rate	2013	Exchange rate	2012
US Dollars (USD)	1	10 905	1	82 831
Norwegian Kroner, NOK	6,08	54	5,57	608
Total		**10 959**		**83 439**

All bank deposits are held with Norwegian banks and cash is available.

Note 11 – Share capital

Number of shares	Par value	2013	2012
Ordinary shares authorized	USD 0,01	150 000 000	75 000 000
Total number of shares issued and fully paid	**USD 0,01**	**69 893 055**	**69 885 519**

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
Share issue 7 June 2013	7 536	0,01	0,08
Shares and share capital at 31 December 2013	**69 893 055**		**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 2013	**1 211 738**		**12**

Total outstanding shares at 31 December 2013	**68 681 317**

The parent Company has one class of shares. The Board has not proposed any dividend to be paid for the year 2013. On 7 June 2013 Höegh LNG Holdings Ltd. issued 7.536 shares at a subscription price of NOK 46.00 as BoD remuneration to 6 Directors of the Board. The new number of issued shares is 69.893.055.

Note 12 – Bond

	2013	2012
Bond	123 280	134 737
Arangment fees bond	(1 925)	(1 949)
Value at 31 December	**121 355**	**132 788**

On 3 October 2012, the parent 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%. 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%.

Interest on the bond has been expensed in the amount of USD 10.1 million during 2013. Accrued interest at 31.12.2013 is USD 2.4 million.

Note 13 – Financial risk management objectives and policies

Capital Management

As the parent Company of the Höegh LNG Group, the primary objective of the parent 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.

The main priority of maintaining a strong financial position is to ensure access to funding at favourable terms. The Group's capital structure consists of debt, marketable securities, cash and cash equivalents and equity attributable to the shareholders of Company. The shares of and the bonds issued by the parent Company are listed at the Oslo Stock Exchange. Höegh LNG is actively seeking to diversify the sources of funding available to the parent Company and is considering the establishment of a Master Limited Partnership to be listed in the U.S.

The parent Company's capital structure might be adjusted over time to reflect the risk characteristics associated with the underlying assets, the funding situation and the financial markets. In order to maintain or adjust the capital structure, the parent Company may refinance its debt, buy or issue new shares or debt instruments, sell assets, pay dividends or return capital to shareholders.

Financial Risk

Hoegh LNG Holdings Ltd 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. The parent Company has established procedures and policies for determining, mitigating and monitoring the risk exposures.

The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured fair value on a recurring and non-recurring basis.

Fair values				
USD'000	**Carrying amount**		**Fair value**	
Financial assets	**2013**	**2012**	**2013**	**2012**
Financial instruments at fair value through profit or loss				
Marketable securities	13 794	113 877	13 794	113 877
Derivatives in effective cash flow hedges	-	1 627	-	1 627
Loans and receivables				
Interest bearing receivables	530 663	358 663	530 663	358 663
Restricted cash	1 094	-	1 094	-
Cash and cash equivalents	10 959	83 439	10 959	83 439
Total	**556 510**	**557 605**	**556 510**	**557 605**
Total current	**25 847**	**197 316**	**25 847**	**197 316**
Total non-current	**530 663**	**360 290**	**530 663**	**360 290**

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 value of each class of financial instrument:

- Cash and cash equivalents, restricted 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 parent Company based on interest rates. The fair value approximates its carrying amounts reported since they are payable on demand by the lender.

- 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 Höegh LNG Holdings Ltd (HLNG01) are listed on Oslo Børs, fair value of bonds are disclosed based on traded information (103.5% on 31 December 2013.)

USD'000	Carrying amount		Fair value	
Financial liabilities	**2013**	**2012**	**2013**	**2012**
Financial instruments at fair value through profit or loss				
Derivatives in effective cash flow hedges	9 493	-	9 493	-
Loans and payables				
Trade and other payables	869	-	869	-
Bond	121 355	132 788	127 595	133 723
Total	**131 717**	**132 788**	**137 957**	**133 723**
Total current	**999**	**-**	**999**	**-**
Total non-current	**130 718**	**132 658**	**136 958**	**133 593**

Refer to Note 22 in Group accounts for fair value hierarchy and for further outline of financial risk management objectives and policies.

Note 14 – Related party transactions

Receivables against related party	2013	2012
Subsidiary		
Höegh LNG Ltd.	519 342	354 238
Methane Ventures Limited	4 897	4 424
Höegh FLNG Ltd.	6 425	-

The parent Company has entered into loan agreements with subsidiaries as described in note 9.

Trade payable to related party	2013	2012
Subsidiary		
Höegh LNG AS	351	-
Höegh LNG Ltd.	36	-

Interest income from related party	2013	2012
Subsidiary		
Höegh LNG Ltd.	13 803	16 603
Methane Ventures Limited	372	289
Höegh FLNG Ltd.	110	-

The Company has received administrative services in the amount of USD 2.0 million in 2013 from the subsidiary Höegh LNG AS (2012: USD 1.5 million).

Other related parties

For transactions with other related parties, reference is made to Note 31 of the consolidated accounts.

Note 15 – Share-based payments

Refer to Note 14 in the Group accounts for share based payments costs.

Note 16 – Guarantees

Refer to Note 32 in the Group accounts for guarantees provided by the Company.

Note 17 – Subsequent events

Refer to Note 34 in the Group accounts for events after balance sheet date.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To Annual Shareholders' Meeting 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., comprising the financial statements of the Parent company and the Group. The financial statements of the Parent company and the Group comprise the statements of financial position as at December 31, 2013, 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.

The Board of Directors' and President's Responsibility for the Financial Statements

The Board of Directors and the President are 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 Directors 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.

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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, 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Oslo, March 27, 2014
ERNST & YOUNG AS

Finn Ole Edstrøm
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 Code (the "**Corporate Governance Code**") referred to in the Continuing Obligations section 7. The Corporate Governance Code and the Continuing Obligations are published on Oslo Stock Exchange's web site – **www.oslobors.no**). The Corporate Governance Code is also available at the web pages of the Norwegian Corporate Governance Board - NUES - **www.nues.no**.

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

1 Implementation and reporting on corporate governance

The Board has adopted a corporate governance policy (the "**Corporate Governance Policy**") to reflect the Company's commitment to good corporate governance. In furtherance of this goal, the Board has also adopted a code on board proceedings ("**Rules of Procedure for the Board of Directors**"), an insider trading policy, ethical rules, a corporate social responsibility policy, 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: *Equal treatment of all shareholders.*

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 to regasification. 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, succeed with the Group's strategy and be 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.

3 Equity and dividends

The issued share capital in the Company at year-end 2013 was USD 698,930.55 consisting of 69,893,055 fully paid common shares, each with a nominal value of USD 0.01. In addition, as of end February 2014 a total of 2,272,000 options have been granted to top management and key employees (for further details please see the Directors' Report).

The total book equity per 31 December 2013 was USD 389.1 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 is unlikely to pay dividends before 2015 due to its expansion strategy and the terms of the NOK 750 million 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.

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

4 Equal treatment of shareholders and transactions with close associates

The Company has only one class of shares.

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

According to the Company's Ethical Rules, executive personnel (and any other employees) cannot take part in any dealings or decision-making in matters of special importance to him/her or related party so that they may be considered to have a strong personal or financial interest in the matter. An employee shall immediately notify the CEO, business area leader, or Head of HR when he/she realises that a conflict of interest may arise. If a conflict of interest exists, the employee shall immediately withdraw from further dealings with the relevant matter.

5 Freely negotiable shares

The common shares of the Company are freely transferable and the Company's constitutional documents do not impose any transfer restrictions on the Company's common shares save as set out below:

- 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% 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.

- The 2013 AGM approved to amend the Bye-laws to include a right for the Company to request a holder of nominee shares to disclose the actual shareholder. The Board may decline to register any transfer where a holder of nominee shares does not comply with its obligations to disclose the actual shareholder as further set out in the Bye-laws, where the default shares represent at least 0.25% (in nominal value) of the issued shares of their class.

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 2013 annual general meeting, the members of the nomination committee composing of three (3) members was re-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 2013 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.

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 the Company's web pages.

All Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the shares in the Company), except for Leif O. Høegh, who is an indirect shareholder in Leif Höegh & Co Ltd. 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 2013, the Board had four regular board meetings, where all directors were present (save for absence by Timothy Counsell in one meeting). The Board had also seven interim board meetings, with Timothy Counsell attending all, Cameron Adderley attending three meetings and his alternate directors Tammy Richardson-Augustus attending three meetings and James A. Bodi one meeting. In addition, the Board had an information meeting, 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.

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 conduct on an annual basis a self-evaluation of its own performance and expertise, which include an evaluation of the composition of the Board and the manner in which its members function, both individually and as a group, in relation to the objectives set out for the Board's work. Such report is made available to the Nomination Committee.

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.
- Reviewing annually the Governance and Compensation Committee's charter.

11 Remuneration of the Board of Directors

The remuneration of the Board in 2013 was a total of USD 180,000 including the granting of shares (issuance of 1,256 shares to each Director, equivalent to USD 10,000 to each) and USD 20,000 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. received an annual fee of USD 40,000 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 received USD 5,000 as member of the Company's Nomination Committee and he also receives an annual salary of GBP 36,000 from Leif Höegh (U.K.) Limited (a subsidiary of the Company) for his part-time employment with Leif Höegh (U.K.) Limited.

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 a bonus scheme and membership in stock options. The purpose of the bonus scheme is to (a) drive performance and motivation; (b) offer a variable pay element based on achievement of goals and results in addition to maintaining a "median" basic salary 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 performance in view of corporate objectives and results which reflect the Company's long term strategy. The purpose of the stock option membership is to further strengthen performance, motivation and retention as well as ensuring alignment of interests between the shareholders and management. In addition, the Company has a co-investment vehicle for key personnel.

Further details on executive remunerations are provided in Note 33 to the 2013 Full Year Financials.

13 Information and communications

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

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

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 2013, the Company conducted 234 meetings with investors, held 9 conference presentations and 6 broker presentations.

The Company complies with the Oslo Børs Code of Practice for Reporting IR Information, with the following comments:

- The Company discloses information in the English language only.
- The Company publishes interim report as soon as possible, and aims to publish the reports no later than on the 15th day of the second month after the end of the quarter. The Company publishes a list of the 20 largest shareholders. The Company does not publish a list of beneficial owners based on the 20 largest shareholders.
- Save for primary insiders, employees are not entitled to trade in the Company's shares in advance of financial reporting dates (from the period from and including the last 10 days in the last calendar month in a quarter and up to the day following the presentation of the financial report for the relevant quarter). Primary insiders are required to obtain prior written approval from the Company before any trading in the Company's share is executed.

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 2013 Full Year Financials.

HÖEGH LNG