HÖEGH LNG

ANNUAL REPORT 2016

THE FSRU PROVIDER

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Front page photo:
Höegh Grace, Cartagena, Colombia

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Höegh Grace, Cartagena, Colombia

DOUBLING THE FSRU FLEET BY 2019

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2016 proved to be a very eventful year in all respects. In the year that we celebrated our 10th anniversary as a stand-alone company, we strengthened our position as a leading provider of floating LNG import terminal solutions. Two attractive long-term FSRU contracts were secured, commercial operations in Colombia commenced successfully, capital was recycled through Höegh LNG Partners LP, and another round of newbuilding orders took place. At the same time, our customers continued to enjoy safe and reliable services and there were no lost time injury incidents in the fleet. Backed by favourable market developments and our solid operational and commercial platform, we intend to live up to our market leadership ambitions for the benefit of our customers, shareholders and other stakeholders.

Höegh LNG pursued its strategy and reached several important milestones in the fourth quarter of 2016. Höegh Grace successfully commenced commercial operation in December 2016, adding to our underlying financial results and triggering an increase in our quarterly dividend for the first quarter of 2017. We subsequently achieved a successful transfer of a majority equity share of Höegh Grace to Höegh LNG Partners LP in a transaction funded by an oversubscribed equity issue. Proceeds from the sale of Höegh Grace will be used for further expansion of our fleet in order to maintain the strategy of always having one FSRU newbuilding available for new projects. In parallel, long-lasting bilateral discussions concluded with the award of two long-term FSRU charter contracts in Ghana and Pakistan, respectively.

We continue to operate in a growing market where expanding LNG volumes are mirrored by an increase in FSRU demand. Another 100 million tonnes of new LNG production capacity, or about 35% more, are expected to be added to global LNG liquefaction capacity by 2020. As the LNG market grows increasingly long, producers are working more actively to sell the incremental LNG volumes to new importers. At Höegh LNG, we address this trend and work successfully with LNG suppliers to open up new markets. Such partnerships are seen as an important part of our strategy for the future.

Our customers rely on us to provide critical energy infrastructure solutions which should be at their disposal at all times. Adhering to strict safety and quality standards and delivering best in class uptime services are consequently at the centre of our operations. A lost time injury frequency (LTIF) of zero and a technical availability rate of 99.9% on our assets in operation in 2016 show that our attention to these matters pays off. Building on our strong track record, we will continue to focus on maintaining excellent safety and quality culture on our vessels and at our offices. Providing superior regasification solutions for the benefit of our customers is an important parameter in maintaining high barriers to entry for new entrants to the FSRU business.

We devote continuous attention to improving design, technology and operations, and concentrate on optimising internal systems to increase the effectiveness of our performance. In 2016, we further developed our anti-corruption procedures and trained all officers, crew and onshore employees in our Code of Conduct. We will continue to pay attention in 2017 to improving our Group-wide compliance training programme.

Significant milestones were reached in 2016. We have 10 FSRUs in operation or under construction, and intend to continue growing by winning more contracts and adding to our newbuilding programme while seamlessly starting up commercial operations in new locations. Our ambition is to remain the market leader in the FSRU industry. I am confident that we have every opportunity to succeed and invite you all on an exciting journey into the future.

Sveinung J.S. Støhle
President and CEO

PGN FSRU Lampung, Indonesia

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In 2016, Höegh LNG delivered in accordance with its strategy and expanded its revenue backlog following the conclusion of two 20-year FSRU contracts. Since the awards triggered another round of newbuilding orders, Höegh LNG is now the world's leading provider of FSRU services with 10 units in operation or under construction. The Group continues to operate in a positive market environment, and is targeting further growth backed by its solid operational and financial platform.

Strategic direction

Höegh LNG Holdings Ltd. (the "Company") and its subsidiaries and joint ventures (together "Höegh LNG" or the "Group") operate worldwide and hold a leading position as owner and operator of floating LNG import terminals (known as floating storage and regasification units – FSRUs).

Höegh LNG's vision is to be the industry leader in providing floating LNG import solutions. Its mission is to develop, manage and operate the Group's assets to the highest technical and commercial standards, thereby maximising the benefits to its shareholders and other stakeholders. Höegh LNG's strategy is to continue growing in the FSRU market, with the objective of securing long-term contracts for strategically important projects at attractive returns. To position Höegh LNG for fast-track and high-return projects, an important element in Höegh LNG's strategy is always to have at least one uncommitted FSRU under construction.

Höegh LNG took delivery of one newbuild FSRU (Höegh Grace), delivered one LNG carrier (LNGC) to a new owner (LNG Libra) and placed newbuilding orders for two new FSRUs during 2016 and in subsequent events. Höegh LNG now has a fleet of 10 FSRUs and two LNGCs, including four FSRUs under construction. All FSRUs and LNGCs in operation are under long-term contract. In line with Höegh LNG's strategy, one of the FSRUs under construction is uncommitted and available for new business, while the others are committed under long-term contracts. Höegh LNG is scheduled to take delivery of FSRU #7, the Höegh Giant, in the second quarter of 2017. FSRUs #8, #9 and #10 are due to be delivered in the first quarter of 2018, the fourth quarter of 2018 and the second quarter of 2019, respectively.

The average age of the assets in operation is 4.5 years, while the average remaining length of the commercial contracts is 14 years, adding up to a revenue backlog of USD 6.2 billion.

Höegh LNG started paying dividends in 2015 and distributed a total of USD 0.40 per share during 2016. The Company's dividend policy is based on stability, predictability and sustainable growth in distributions. After 31 December 2016, the Company declared a dividend of USD 0.125 per share for the first quarter of 2017. The 25% increase in distributions was backed by a positive shift in its underlying earnings and the conclusion of commercial milestones.

The Company's registered office is located in Hamilton, Bermuda, but the Group operates worldwide and has office presence in Oslo (Norway), London (UK), Singapore, Miami (USA), Jakarta (Indonesia), Klaipeda (Lithuania), Cairo (Egypt) and Cartagena (Colombia), plus a site team in Ulsan (South Korea). The Company is listed on Oslo Børs (Oslo stock exchange) in Norway and has a master limited partnership (MLP), Höegh LNG Partners LP ("HMLP"), listed on the New York Stock Exchange. HMLP has been formed to own, operate and acquire LNG assets which are in operation and employed under long-term contracts.

Review of 2016 including subsequent events

Overall performance

All the FSRUs in the Höegh LNG fleet operated in accordance with their contracts during the year, with a technical availability which remained stable at close to 100%.

Höegh LNG had a lost-time injury frequency (LTIF) of zero in 2016, which is a very good result and an improvement from 0.73 in 2015.

Fleet development

Höegh Grace was delivered from the yard on 31 March 2016 and employed under an intermediate LNGC time charter until the start-up of the long-term FSRU contract with SPEC in Colombia during December 2016. LNG Libra was delivered to its new owner and left the fleet during the first quarter of 2016.

To capture additional business opportunities with early start-up requirements, Höegh LNG ordered long lead-time equipment and signed engineering agreements with Wärtsila and Moss Maritime for an FSRU conversion project in 2016. It was later decided to use the regas plant for FSRU #9, contracted in December 2016 with a record short construction time of less than two years.

In line with its strategy, Höegh LNG expanded its newbuilding programme after securing long-term employment for uncommitted FSRUs under construction. In December 2016, Höegh LNG announced that it had signed a letter of intent with Samsung Heavy Industries in South Korea for one firm and three optional fixed-price FSRUs. The 170,000 cbm FSRUs will have a regasification capacity of 750 MMScf/day and full trading capabilities. The firm FSRU (FSRU #10 or SHI HN 2220) will be delivered in May 2019, with the optional FSRUs being delivered at approximately six-monthly intervals thereafter. The firm shipbuilding contract for SHI HN 2220 was signed in January 2017.

On 18 January 2017, Höegh LNG furthermore announced that it had signed a shipbuilding contract with Hyundai Heavy Industries (HHI) in South Korea for an FSRU with delivery in the fourth quarter of 2018. This FSRU (FSRU #9, or HHI HN 2909) will have a storage capacity of 170,000 cbm, a regasification capacity of 1,000 MMscf/day and full trading capabilities.

Corporate activities

During the first quarter of 2016, Höegh LNG signed bank loan facilities of up to USD 223 million for financing FSRU #7 (HHI HN 2552). The available amount under the facilities is USD 194 million with no employment requirement, rising to the full USD 223 million on securing a long-term contract of 10 years or more.

On 1 December 2016, the Company agreed to sell to HMLP a 51% equity interest in Höegh LNG Colombia Holding Ltd., the owner of the entities which own and operate Höegh Grace. The purchase price was USD 188.7 million, less USD 96.9 million in pro rata indebtedness outstanding under the credit facility related to Höegh Grace at 3 January 2017, which was the closing date for the transaction.

On 1 December 2016, HMLP successfully issued a total of 6,000,000 new common units at a price of USD 17.6 per unit to fund the acquisition of the 51% equity interest in Höegh Grace. The offering was subsequently increased to 6,588,389 common units following the exercise of the underwriters' overallotment options, taking total net proceeds to USD 112 million.

HMLP used the proceeds from the offering to fund the cash purchase price for the Höegh Grace transaction, as a partial repayment of the USD 47 million seller's credit to the Company, of which USD 35 million was outstanding at 31 December, and for general partnership purposes.

Commercial development

Two long-term FSRU contracts came to fruition in 2016 following the conclusion of bilateral negotiations over FSRUs for Ghana and Pakistan. In November, Höegh Grace arrived in Cartagena, Colombia, and started its commercial contract the following month. Finally, the Neptune, currently on a 20-year contract to Engie, became Turkey's first FSRU when it commenced operations in December.

The FSRU project in Colombia completed its commissioning phase in early December 2016 and Höegh Grace immediately commenced commercial operations under the long-term contract with SPEC. This FSRU contributed positively to EBITDA during the fourth quarter of 2016 with around one month of charter hire. Höegh Grace has the capacity to cover around 40% of Colombia's natural gas demand and will ensure security of energy supply for the country during periods of drought, when the hydropower capacity is low.

On 1 December 2016, Höegh LNG signed an FSRU contract with Quantum Power for the Tema LNG import terminal in Ghana. The Tema LNG project is supported by the Ghana National Petroleum Corporation, which has the exclusive right to import natural gas to Ghana and controls access to utility capacity. The contract is subject to certain conditions, including board approval for both parties. The project will increase the supply of energy to Ghana, and represents a low-cost and more environment-friendly alternative to the imported petroleum products which currently dominate power generation. The FSRU charter with Quantum Power is for a period of 20 years with a five-year extension option for the charterer. Start-up under the contract is expected in mid-2018.

On 15 December 2016, Höegh LNG announced that it had signed an FSRU contract with Global Energy Infrastructure Ltd. ("GEI") for an LNG import project at Port Qasim in Pakistan. The contract is subject to certain conditions, including board approval for both parties. GEI has signed a long-term LNG supply agreement with Qatargas. The project will increase the supply of gas in an established and growing market, which is suffering from an increasing shortage of gas as domestic production declines. The FSRU charter with GEI is for a period of 20 years with two five-year extension options for the charterer. Start-up under the contract is expected in the second quarter of 2018.

Höegh LNG announced in February 2017 that it had entered into an agreement to form a consortium with Total, ExxonMobil, Mitsubishi Corp and Qatar Petroleum for the joint development of the jetty and pipeline to shore in order to connect the FSRU with the local gas grid in Pakistan. The formation of this consortium, where Höegh LNG holds the leading technical role, represents a significant milestone for the project. All necessary project agreements are currently under completion by the project partners in line with the project schedule for planned start-up in mid-2018.

On 11 December 2016, Höegh LNG, in cooperation with its customer Engie, started up the first FSRU in the Turkish market, when the Neptune FSRU arrived at the Etki Terminal near the port of Aliaga in Izmir province on the west coast of Turkey. Neptune is on a 20-year charter with Engie, and had operated until recently as an LNG carrier – demonstrating the flexibility of Höegh LNG's FSRU design.

Market outlook

LNG export volumes expanded by about 7% to a new all-time high of 265 million tonnes in 2016. Specifically, new liquefaction capacity which commenced operation in the USA and Australia added to overall volumes. In addition to the capacity added in 2016, around 100 million tonnes per annum of additional liquefaction capacity is scheduled to enter the market by 2020, and the LNG market should therefore continue to see ample additional supplies in the years to come.

While established LNG importers mostly utilise land-based LNG terminals, new prospective importers and recent market entrants rely to a greater degree on FSRUs. In addition, many new importers have an energy deficit which exceeds the capacity of one FSRU. Because their first FSRU project has been a success, the threshold for committing to a second or third FSRU is low. Consequently, several projects currently being pursued by Höegh LNG are located in countries which already have at least one FSRU in operation.

The long LNG market and competitive LNG prices have led to increasing utilisation of new importing facilities, the majority of which are FSRUs. Imports through FSRUs rose by around 40% to about 31 million tonnes in 2016 as new units started operation. Six new FSRU contracts were awarded during the year, a significant increase from the two to four awarded annually in 2011-15. The increase in FSRU contract awards has coincided with the acceleration in global LNG trade, and the number of prospective projects continues to grow.

Rising levels of activity in the FSRU market are attracting new entrants, and the number of FSRUs available is likely to increase as a result of newbuilding and conversion projects currently under consideration. As demonstrated in the fourth quarter, however, Höegh LNG has successfully expanded its market share on terms similar to recent contracts and, with the latest orders for new units, is now the largest provider in the FSRU segment.

Financial results

Group figures

The financial statements of Höegh LNG include HMLP on a 100% consolidated basis, and joint venture companies are recorded in accordance with the equity method. Unless otherwise stated, figures for 2016 are compared with figures for 2015.

Income statement

In 2016, total income was USD 232.9 million, up 6.2% from the previous year (2015: USD 219.4 million), while operating profit before depreciation (EBITDA) was USD 111.3 million (2015: USD 90.3 million). Total income and EBITDA increased from the year before, mainly owing to Höegh Grace commencing operations under the long-term FSRU contract with SPEC in December 2016, a decline in bunker expenses and lower business development expenses, offset by reduced charter hire from LNG Libra and higher administrative expenses.

Operating profit was USD 76.4 million in 2016, up from USD 25.7 million in 2015. The 2015 figure included a one-off impairment of USD 37 million related to a write-off of intangible FLNG assets.

Depreciation increased by USD 4.1 million in 2016 following the delivery of Höegh Grace at the end of the first quarter.

Net financial expenses came to USD 57.3 million in 2016 (2015: USD 51.4 million). The deterioration in net financial items relates mainly to a rise in interest costs following the increase in debt related to Höegh Grace.

Profit after tax was USD 14 million, compared to a loss of USD 26.8 million in 2015.

Business segments

For the purpose of monitoring the operating performance of the underlying business, the business segments are reported in accordance with the proportionate method.

The commercial segment, which is responsible for commercial management and business development activity with FSRUs and LNGCs, recorded in 2016 total income of USD 120.1 million (2015: USD 139.5 million) and EBITDA of USD 62.6 million (2015: USD 75 million).

The FLNG segment, which is responsible for the marketing, construction and operation of FLNGs, recorded total income in 2016 of USD 0.1 million (2015: USD 4.8 million) and negative EBITDA of USD 1.1 million (2015: USD 5.5 million negative).

The technical segment, which is responsible for project execution, construction, delivery and technical management of FSRUs and LNGCs, recorded total income in 2016 of USD 1.1 million (2015: USD 2.2 million) and negative EBITDA of USD 6.2 million (2015: USD 5.1 million negative).

The MLP segment, which comprises the HMLP fleet, including administrative and operating expenses, reported total income in 2016 of USD 139.5 million (2015: USD 103.2 million) and EBITDA of USD 104.8 million (2015: USD 76 million).

The other segment comprises Höegh LNG's management, finance, legal and other corporate services and includes administrative expenses relating to the management of Höegh LNG. In 2016, the segment recorded EBITDA of USD 13.9 million negative (2015: USD 13.6 million negative).

Financial position

At 31 December 2016, equity and liabilities totalled USD 1,714 million (2015: USD 1,502 million). The increase from 31 December 2015 mainly reflects the debt on Höegh Grace, the profit for the year as a whole, and the capital raised in Höegh LNG Partners LP.

Book equity was USD 596 million at 31 December 2016 (2015: USD 492 million). Net of mark-to-market of hedging reserves, the adjusted book equity was USD 677 million (2015: USD 598 million), bringing the adjusted equity ratio to 40% (2015: 40%). The capital structure is considered to be good, given the nature of Höegh LNG's business and its existing commitments.

Capital commitment

At 31 December 2016, and including newbuilding contracts announced and signed in subsequent events, Höegh LNG had around USD 1.0 billion in remaining off-balance sheet capital commitment relating to the FSRU newbuilding programme, of which approximately USD 0.4 billion falls due in 2017 and 2018, respectively and the rest in 2019. Höegh LNG had USD 332 million in cash, current restricted cash and marketable securities and USD 223 million available under undrawn debt facilities related to FSRU #7 at 31 December 2016. In addition to the equity portion being in place, Höegh LNG is confident that the debt portion of the financing will be secured from its consortium of banks for remaining FSRUs under construction, making the FSRU newbuilding programme fully funded.

Financing

Höegh LNG's interest-bearing debt was USD 936 million (2015: USD 787 million) at 31 December 2016, an increase explained by the issuance of debt related to Höegh Grace, offset by ordinary debt repayments made in 2016.

In March 2016, Höegh LNG signed a USD 223 million senior secured credit facility, of which USD 194 million is available to be drawn on delivery of FSRU #7, increasing to USD 223 million on securing a long-term contract for this unit. FSRU #7 is intended for Ghana to serve the 20-year contract with Quantum Pacific, and the full draw-down is dependent on the timeline of the project. The interest rate for the facility has been fixed at 3.7% for five years.

On 19 January 2017, the Company successfully completed a new senior unsecured bond issue of NOK 1,500 million in the Nordic bond market. Maturing on 1 February 2022, the bonds bear a coupon of three months Nibor plus 500 basis points and will be listed on Oslo Børs under the ticker HLNG03. Following the bond issue, the bonds were swapped from floating three-month Nibor to a fixed USD interest rate.

In connection with the NOK 1,500 million bond issue, the Company bought back NOK 99 million in nominal value of the NOK 750 million bond issue at a price of 103% with settlement on 1 February 2017. After the repurchase, the Company owns NOK 153 million in nominal value of HLNG01. HLNG01 matures on 3 October 2017 and the proceeds from the NOK 1,500 million bond issue will be used to repay outstanding amounts under HLNG01 and for general corporate purposes.

Cash flow

Cash flow from operating activities was USD 75.5 million in 2016 (2015: USD 75.2 million), on a par with 2015 since a positive development in underlying results was offset by an increase in working capital. Net cash flow used in investing activities came to USD 138.6 million in 2016 (2015: USD 163.9 million), down from the year before through a decline of investment in marketable securities which was offset by an increase of investment in FSRUs. Cash flow from financing activities was USD 151.9 million in 2016 (2015: USD 120.1 million), driven by proceeds from borrowings and the equity issue in HMLP, and up from the year before owing to higher proceeds from borrowings. Total cash flow in 2016 was USD 88.7 million (2015: USD 31.3 million).

At 31 December 2016, unrestricted and restricted current cash and cash equivalents were USD 196.6 million (2015: USD 113.1 million) while marketable

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securities, comprising investment-grade bonds, totalled USD 135.8 million (2015: USD 231.1 million). In addition, Höegh LNG had non current restricted cash of USD 18.6 million (2015: USD 19.7 million).

Going concern

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

Parent company financials

Total comprehensive income for the Company on a stand-alone basis in 2016 was USD 31.7 million (2015: loss of USD 50.3 million). The improvement from 2015 is driven by higher dividend received from Höegh LNG Partners LP, higher net financial income and the impairment charge of the FLNG business in 2015. At 31 December 2016, total assets were USD 1,031 million (2015: USD 1,031 million), while the equity ratio was 75% (2015: 75%). Cash flow in 2016 was positive by USD 8.4 million (2015: USD 6.7 million negative). Net proceeds from sale of marketable securities and dividends received from HMLP were mainly used for cash dividend payments and repayment of intercompany loans. At 31 December 2016, the Company held USD 12.4 million in cash and cash equivalents (2015: USD 3.9 million) and USD 135.8 million in investment-grade marketable securities.

Risk and risk management

Risk management

Höegh LNG uses risk management tools based on ISO 31000 in relation to both existing and new business. The following certificates are held for the management of quality, the 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

Compliance with increasingly complex health, safety and environmental laws and regulations could result in increased compliance costs or additional operating expenses. Höegh LNG is and will be subject to regulations which affect, among other things, discharges to the air, land and water, and health and safety standards. Violation of these laws and regulations could have adverse financial consequences.

Market risk

Höegh LNG has six FSRUs in operation which are on long-term contracts and therefore not exposed to variations in demand for FSRU services. Of the four FSRUs under construction, three are pre-committed to long-term contracts while only FSRU #10 (to be delivered in May 2019) is exposed to variations in demand for FSRUs. With ample LNG supplies are available at a low cost, the demand for LNG is increasing, driving demand for LNG import infrastructure and in particular FSRUs, which are increasingly the preferred solution for importing LNG because they are less capital-intensive and quicker to build, and because of their flexible nature. More than 40 FSRU projects are currently under various stages of development worldwide, and Höegh LNG is participating in several on-going tender and bilateral processes.

The two LNGCs in the fleet are on long-term contracts with creditworthy counterparties and not exposed to short-term variations in the demand for LNG transportation.

Operational risk

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

Financial risk

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

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in place to mitigate financial market risks. Once financial market risks are identified, appropriate mitigating actions are taken. Höegh LNG's primary strategy in mitigating financial market risks is to apply derivatives, where appropriate, in hedging its 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 in Höegh LNG is subject to floating interest rates, but the Group has entered into fixed interest-rate swaps for all debt facilities and is therefore not exposed in any material way 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 Höegh LNG. The majority of Höegh LNG's business transactions, capitalised assets and liabilities are denominated in USD. The majority of its foreign exchange exposure relates to administrative expenses denominated in NOK, totalling some NOK 250 million in 2016. In addition, Höegh LNG has certain revenues in Euros and Egyptian pounds intended to cover local expenses and taxes. At 31 December 2016, Egyptian pounds equivalent to USD 4.4 million were classified as restricted cash owing to foreign exchange market restrictions.

Liquidity risk is the risk that Höegh LNG should be unable to fulfil its financial obligations when they fall due. Outstanding interest-bearing debt on the balance sheet totalling USD 936 million will be repaid through cash flow generated from existing and new assets in Höegh LNG or through refinancing. All existing vessels in operation and subject to debt financing have long-term contracts secured. At 31 December 2016, Höegh LNG had around USD 1 billion in remaining off-balance-sheet capital commitments in relation to the FSRU newbuilding programme, including newbuilding orders placed in subsequent events. That compares with USD 566 million in available liquidity, which includes USD 322 million in current cash and marketable securities, USD 194 million in undrawn bank loan facilities and USD 50 million in additional liquidity secured through the NOK 1,500 million unsecured bond issued in a subsequent event. When all conditions relating to the long-term contract in Ghana are met, the available amount under the undrawn bank loan facility to finance FSRU #7, the Höegh Giant, will increase to USD 223 million, which will increase the total available liquidity to USD 595 million. While financing for FSRU #7 is already secured, two of the three FSRUs under construction which are yet to be financed have long-term employment secured. Höegh LNG has strong access to different sources of debt capital and is confident that competitive financing for remaining FSRUs under construction will be made available, making the FSRU newbuilding programme fully funded.

Credit risk is the risk that a counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Existing FSRUs/LNGCs are chartered to creditworthy counterparties and/or projects with a strong strategic rationale for the country they operate in. The USD 6.2 billion revenue order backlog at 31 December 2016 is spread across 10 counterparties, none of which represent more than 17% of the order backlog. Furthermore, 55% of the revenue backlog is with counterparties located in investment-grade countries (Norway, France, Colombia, Chile and Lithuania). Cash funds are only deposited with internationally recognised financial institutions which have a high credit rating, or invested in marketable securities issued by companies holding a high credit rating.

Corporate social responsibility and impact on the external environment

The Group is committed to ensuring safe and sustainable management of environmental and other effects which its operations may have. Höegh LNG seeks actively to integrate social and environmental concerns in all its business operations and to find a sound balance between stakeholder interests, operational efficiency and shareholder value.

Höegh LNG has robust management systems certified in accordance with the International Safety Management Code, ISO 9001, ISO 14001 and OHSAS 18001. Operating in a high-risk environment requires a strong focus on safety, and Höegh LNG devotes continuous attention to developing and improving procedures and routines.

Höegh LNG has zero tolerance for corruption. Potential business partners will be subject to a rigorous due diligence and must comply with the same standards. Höegh LNG has mandatory training in its compliance procedures.

Further information about Höegh LNG's environmental and social impact and performance is provided in the section on corporate social responsibility. Since 2014, Höegh LNG has reported its sustainability performance (CSR) in accordance with the Global Reporting Initiative's (GRI) sustainability reporting framework (section 4).

Personnel

Höegh LNG had 114 permanent office employees and 435 maritime personnel at 31 December 2016. The 24-month cumulative retention rate at 31 December 2016 was 98% for officers and 98% for ratings. At the Oslo office, average sickness absence among employees was 1.6% in 2016, compared with 3.7% the year before. Zero lost-time injuries (LTI) were reported during 2016 on vessels owned or operated by Höegh LNG. This good performance is a result of the continuous implementation of safety-related initiatives and the attention paid to building a safety culture.

Diversity

Höegh LNG has a policy of equal opportunities for men and women. Discrimination based on race, gender or similar grounds is not accepted. However, male and female representation in the maritime industry's recruitment base is unequal and this is reflected in Höegh LNG's demographics. Women accounted for 37% of Höegh LNG's office employees in Norway at 31 December 2016, compared with 26% in 2015. All the directors on the Company's Board and the members of the top management are male.

Shareholder information

As of 31 December 2016, 76,884,059 common shares were issued in the Company. Leif Höegh & Co Ltd. was the largest shareholder, with 41.5%. Methane Ventures Limited, a company owned 35% by key employees of Höegh LNG and 65% by the Company, owned 1.6% of the shares. During the year, Höegh LNG issued a total of 54,823 new shares.

Round 1 of the management stock option plan expired at 31 December 2016, and the remaining options granted in this round were exercised. In a subsequent event in January 2017, the Company issued 352,401 new common shares at par in settlement of options exercised on 31 December 2016. Following the issuance of the new shares in January 2017, the Company's issued share capital was increased to USD 772,364.60 consisting of 77,236,460 fully paid common shares, each with a par value of USD 0.01. After the exercise of the above options, the total number of options outstanding is 1,952,425.

Round	No. of options	Strike price	Vesting dates	Expiry Date
Round 2	1 238 001[1]	NOK 40.3[1]	1/3rd on 31 December 2015, 2016 and 2017 respectively	31 December 2018
Round 3	714 424	NOK 85.1	1/3rd on 31 December 2017, 2018 and 2019 respectively	31 December 2020

In the event of dividends or other distributions in cash or kind being paid to the shareholders of the Company, the strike price for the options will be reduced by an amount equal to the NOK value distributed per share.

[1] Some 12,000 options might be awarded with different strike prices.

Corporate governance

Höegh LNG has adopted and implemented a corporate governance system which, in all material respects, complies with the Norwegian code of practice for corporate governance and section 7 of the Oslo Stock Exchange's continuing obligations. The Board's statement of policy on corporate governance is set out in the corporate governance report included as a separate chapter in the annual report.

Prospects

With another 100 million tonnes, or 35%, due to be added to global liquefaction capacity by 2020, demand for FSRUs should continue to increase. Incremental volumes are likely to be shipped to new gas consumers who prefer FSRUs for regasification, as evidenced when the annual number of FSRU contract awards rose from two to four annually in 2011-15 to six in 2016.

Höegh LNG won two of the six long-term FSRU contracts awarded in 2016 by concluding bilateral negotiations for 20-year projects in Ghana and Pakistan, respectively. Since around 40 FSRU projects are under development, the market potential remains significant.

Twelve FSRUs were under construction at the end of February 2017. Of these, eight are committed under long-term contracts, while the balance is uncommitted and being offered for new projects. Twenty-four FSRUs were in operation at the end of February 2017, three of which were not operating as FSRUs. Matched against the market potential and the number of probable projects, the uncommitted fleet and order book are considered to fall short of future demand.

Höegh LNG intends to remain in a market leadership position, and regards its size, experience and strong operational track record, combined with its solid financial position, as enablers for further growth.

Given the nature of Höegh LNG's business, with mainly long-term contracts, the operating result and cash flow should continue to be predictable and stable and should increase when more FSRUs have been delivered and have commenced operation.

Outlook for 2017

Höegh LNG's main focus for 2017 is taking delivery of FSRU #7, the Höegh Giant, in the second quarter and continuing to develop the commercial contracts for the FSRU projects in Chile, Ghana and Pakistan, as well as the infrastructure works for the GEI project in Pakistan on behalf of the consortium with Qatar Petroleum, ExxonMobil, Total and Mitsubishi Corp.

Furthermore, Höegh LNG is working to secure a long-term FSRU contract for its only uncommitted asset, FSRU #10, which is scheduled for delivery in May 2019. The FSRU is currently offered to projects with a start-up that matches delivery from the yard relatively well. When long-term employment has been secured, Höegh LNG intends, in line with its business model, to order an additional FSRU to position itself for additional long-term contracts.

DIRECTORS' REPORT FOR 2016

Hamilton, Bermuda, 22 March 2017

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

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Cameron E. Adderley
Director

Sveinung J.S. Støhle
President & CEO

Independence and Arctic Princess, Klaipeda, Lithuania

03

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Höegh LNG is in the forefront of delivering efficient and competitive Floating Storage and Regasification Units (FSRUs) to the world markets in a responsible manner. The Group continuously improves its design, technology and operations, and in 2016 focused on optimising internal systems to increase the effectiveness of Höegh LNG's corporate responsibility efforts.

1. The business

Höegh LNG is the leading FSRU provider and owns and operates a global fleet of 10 units, four of which are under construction. The Group also owns and operate two LNG carriers. Höegh LNG bases its business on zero tolerance for corruption, the best achievable safety record, compliance with laws and regulations, hereunder environmental regulations, and respect for human rights.

All services are provided by a fully integrated organisation which covers every aspect of business development, financing, construction, operations and corporate services. Technical management of the fleet is handled by Höegh LNG Fleet Management AS, a wholly owned subsidiary of Höegh LNG.

2. CSR governance

Höegh LNG's Code of Conduct governs the way the Group does business, and addresses ethical standards, human rights, fair employment practices, the environment, health, safety, and corruption. The Code is backed by a CSR policy which states that Höegh LNG shall act as a socially responsible company by integrating social and environmental concerns into its core business operations. The CSR policy provides a framework for setting clear goals and objectives that enables monitoring and evaluation of performance.

Guidelines on CSR reporting were issued by the Oslo stock exchange (Oslo Børs or OSE) in September 2016. These recommended that OSE-listed companies should report in accordance with the Global Reporting Initiative (GRI). Höegh LNG has reported according to the GRI standard since 2014.

The Board of Directors is responsible for overseeing CSR performance, and key performance indicators (KPIs) for health, safety and environmental (HSE) performance are reported to the Board on a quarterly basis. Höegh LNG has robust management systems certified in accordance with the International Safety Management (ISM) Code, ISO 9001, ISO 14001 and OHSAS 18001.

2.1 Stakeholder engagement

Höegh LNG is committed to reducing, in a sustainable manner, any negative impact its activities may have on the environment, its employees and local communities.

The Group maintains a continuous dialogue with stakeholders to assess environmental and social effects. The cornerstone of this dialogue is the consultation processes with customers and local authorities, in addition to social and environmental impact assessments conducted when entering into new contracts. Höegh LNG also consults with investors, banks and employees to understand their perspectives and priorities.

The issues identified as most critical to main stakeholders are business ethics in direct operations and the supply chain, working conditions, health and safety, the environment and anti-corruption.

3. The environment

The main environmental challenges for Höegh LNG relate to emissions to air, the potential negative impact on local environment, and recycling of vessels.

All vessels are certified in accordance with ISO 14001 to ensure both compliance with relevant regulation and a consistent focus on environmental improvements.

In 2016, Höegh LNG focused its attention on streamlining internal environmental procedures.

3.1 Emissions to air

Emissions to air represent regulatory and operational risks for Höegh LNG, as well as opportunities for cutting costs and driving business development. In addition to greenhouse gases, vessel operation produces other emissions, most notably sulphur oxides (SOx) and nitrogen oxides (NOx). Fuel quality and enhanced efficiency through improved vessel design, technological innovation and more seamless operational processes are crucial to reducing these emissions. Höegh LNG has extensive know-how and technical expertise in designing, building and operating vessels in an environmentally and energy efficient way.

Höegh LNG applies state-of-the-art technology to optimise energy consumption and cost. Since its fleet is mainly powered by electricity produced from natural gas, these units emit significantly less CO_2 than vessels burning directly heavy fuel oil and other fossil fuels. Furthermore, natural gas combustion produces negligible emissions of SOx and NOx. The high technical standard of Höegh LNG's fleet means it is well prepared for future environmental regulations, including progressively stricter limits for SOx and NOx emissions.

The charterers' requirements concerning the use of installed regasification capacity for each FSRU and to a lesser extent the speed and route are the most important parameters for each vessel's total fuel consumption. Höegh LNG has ship energy efficiency management plans (SEEMPs) for all vessels, shares fuel consumption data with charterers and gives them guidance on how to optimise electricity consumption to reduce natural gas consumption and emissions. Höegh LNG also seeks to utilise all boil-off gas from LNG cargo tanks and constantly pursues energy-saving solutions.

Total carbon dioxide emissions from the fleet were calculated at 470,935 tonnes in 2016, compared with 532,017 tonnes the year before. The fleet's dual fuel diesel electric engines are certified as being within applicable NOx limits as defined by NOx Technical Code 2008 (EIAPP certificates).

The modernisation of the fleet meant that Höegh LNG's emissions to the air were reduced in 2016. Total energy consumption by the Group was 2,342 GWh, compared with 2 670 GWh the year before.

3.2 Environmental protection

Höegh LNG's assets operate in marine ecosystems. It is important to manage and control the impact these assets may have on marine ecosystems and biodiversity – particularly through the exchange of ballast water, which may transfer marine species between different ecosystems, and the use of anti-fouling systems. This is however a minor portion of Höegh LNG's assets, since the FSRU fleet operates

Fuel Type	Consumption (tonnes)	Consumption %	SOx emissions (tonnes)	CO_2 emissions (tonnes)
Natural gas	127 667	77%	Trace (negligible)	351 085
Intermediate fuel oil	28 632	17%	1 413	89 160
Low-sulphur intermediate fuel oil	72	0.04%	1	223
Marine diesel oil	239	0.1%	0.021	765
Marine gas oil	9 265	6%	19	29 702
Total 2016	165 874	100%	1 433	470 935

CO_2 conversion factors based on MEPC 63/23 annex 8 predominantly on a stationary basis. However, LNG regasification processes could interact with marine life through the discharge of excess biocides and changes to local seawater temperatures when colder seawater is discharged.

Höegh LNG reported no accidental spills or breaches of environmental permits in 2016.

To minimise risk and to protect biodiversity and marine ecosystems where Höegh LNG operates FSRUs, environmental impact assessments (EIA) are conducted by the customer and/or the Group at the pre-operational stage in accordance with local regulatory requirements. These assessments typically involve local authorities and experts as well as potentially affected local communities, and result in detailed environmental requirements which Höegh LNG must comply with.

Höegh LNG recognises that environmental protection is a necessity and that new national and international regulations are likely. The Group therefore proactively ensures that its fleet conforms to anticipated regulations and rules as well as client specifications. Since 2011, all new FSRUs with trading capability have been equipped with ballast-water treatment systems in compliance with the IMO Ballast Water Management convention and with anti-fouling systems compliant with the IMO Anti-Fouling Systems convention. Höegh LNG also meets local requirements regarding the release of excess biocides as well as IFC World Bank Group guidelines on the release of colder seawater from the LNG regasification process.

Waste, bilge and sludge handling is another concern in the maritime industry. This is taken into account in the design of Höegh LNG's new vessels, based on operational experience of how such discharges can be managed effectively. All vessels have waste management systems and accidental spill monitoring systems in accordance with Marpol.

3.3 Ship recycling

No Höegh LNG vessels were recycled in 2016.

Ship recycling has been a particular concern for the global shipping industry in recent years, since poor working conditions, child labour, environmental damage and lack of transparency are prevalent in this sector. While waiting for an IMO convention on ship recycling to come into force, Höegh LNG has implemented a green recycling policy and procedure to ensure that the Group's vessels are recycled responsibly and sustainably.

4. Security, health and safety

4.1 Health and safety

Adherence to strict safety and quality standards is always at the centre of Höegh LNG's operations. No lost-time injuries (LTI) were recorded on the vessels in 2016, resulting in an LTI frequency (LTIF) of zero compared with 0.73 the year before. This is the best LTI results achieved by Höegh LNG in a year.

Höegh LNG's safety culture is built on the ambition of causing zero harm to people. The Group continued its safety campaign for maritime personnel in 2016, with attention focused on maintaining a safety culture. In addition, as part of a sustained effort to standardise operations and improve communication on board and between vessels, operational procedures and checklists are being remodelled and streamlined in close cooperation with maritime personnel.

All vessel operations are certified in accordance with the OHSAS 18001 occupational health and safety standard. Maritime personnel are involved in improving HSE performance and working conditions on board through the protection and environment committee (PEC), monthly safety meetings on all vessels, and conferences ashore.

4.2 Security

As Höegh LNG expands into new markets, ensuring the safety of its employees is a priority. The Group has an international security officer who oversees risk and security matters and monitors employee safety and security. Security risk analyses are conducted for operational sites and when entering new markets.

Höegh LNG has developed a risk based approach to security management. A risk based approach means

that any relevant security threat should, in principle, be visible on the radar. More specifically, it means knowing which assets, locations and people to protect, what threats they are exposed to and establish and prioritise the correct measures to protect them. This is of vital importance to ensure the safety of Höegh LNG personnel as well as business continuity.

In 2016, a new emergency response structure was established to cover all potential incidents and to ensure that both short-term and long-term impacts are managed in a proactive manner. The emergency response organisation has the responsibility of maintaining the interests and obligations of Höegh LNG in all situations where the safety of personnel, environment, assets and reputation is threatened or the interests of our customers or third party liability may be affected through the Group's activities.

Audits, security surveys and emergency response exercises are performed to verify the effectiveness of the security and emergency response system.

5. Employees

Höegh LNG had 549 employees at 31 December 2016, compared with 602 in 2015.

The Group opposes all form of discrimination and strives to promote equality in all employment practices. The industry's recruitment base, particularly for maritime personnel, is predominantly male and this is reflected in Höegh LNG's demographics. In 2016, women accounted for one of 435 maritime personnel and 42 of the 114 onshore employees.

5.1 Maritime personnel

Höegh LNG seeks to recruit and retain competent and qualified personnel and enjoys high retention rates achieved by years of paying strategic attention to developing its employees. The Group has 435 specialised maritime personnel. These are employed by a Höegh LNG subsidiary and hired through crewing agencies in the Philippines, Croatia and Latvia. They are organised in pools to ensure access to qualified personnel, high retention rates and job security. Maritime personnel, including temporary employees, had a 24-month retention rate of 98.2%. They all receive a written performance review at the end of each service period, including recommendations for further training and/or promotion.

The Group invests in maritime education and training in countries where maritime personnel are recruited. Five conferences were held for different employee segments in 2016. In addition, the Company invested in re-training of the officers made redundant from the two LNG carriers which exited the fleet in 2016 to ensure their continued employment.

In the years to come, Höegh LNG plans to differentiate the mix of nationalities for junior and senior officers and to increase opportunities to progress to higher positions. This is an important development to ensure equal opportunities for all personnel as well as maintaining the competitiveness of Höegh LNG.

Höegh LNG is planning specific leadership training for senior officers in 2017.

5.2 Onshore personnel

Höegh LNG has onshore personnel in Norway, Singapore, the UK, Indonesia, Lithuania, Egypt, the USA, South Korea and Colombia. All managers conduct annual performance reviews of every onshore employee. A staff engagement survey was conducted in 2016, and the results confirmed a high level of engagement across the Group, with a 77% response rate. Work will be done in 2017 to maintain the high level of engagement and to address areas for development.

During 2017, Höegh LNG will continue investing in further strengthening leadership capacity across management layers, functions and cultures.

Employee turnover on shore for the Group was 6.3% in 2016. One business unit, FLNG, was put on hold in 2016 and Höegh LNG successfully reallocated all resources from FLNG to the rest of the organisation. In the Oslo office, average sickness absence among employees was 1.6% in 2016 compared to 3.7% the year before. The Oslo office has a working environment committee with employee and management representation, in line with Norwegian regulations.

CORPORATE SOCIAL RESPONSIBILITY

6. Compliance and anti-corruption

As a Group with operations worldwide, Höegh LNG faces a variety of local regulations and practices. This requires great attention to ethical behaviour, compliance and risk mitigation. Höegh LNG has zero tolerance for bribery and corruption and its management system ensures compliance with the Sarbanes-Oxley Act.

A strong corporate culture is a prerequisite for an effective compliance system. For Höegh LNG, this includes the clear communication of values by the Board to management, and from management to the rest of the organisation. Furthermore, Höegh LNG has implemented compliance and ethics training, integrity due diligence procedures and an effective reporting system.

Höegh LNG aims in 2017 to continue developing its group-wide compliance training programme, and specific KPIs related to compliance.

6.1 Code of conduct

Höegh LNG's Code of Conduct defines the Group's values and the expected behaviour of all employees. Each company representative is responsible for acting in accordance with the Code, and will comply with the laws and regulations of the countries and regulatory authorities where Höegh LNG operates. The compliance officer is responsible for ensuring compliance with the Code, and provides regular reports to the Board on progress and activities. Any incident is registered with the compliance officer and reported to the Board.

All employees are required to complete an e-learning course and confirm that they adhere to the Code of Conduct. All relevant compliance policies are on every employee's annual reading list in the governing management system. In 2016, Höegh LNG achieved very high scores in the employee engagement survey, where employees were asked to rate their knowledge of the Code of Conduct and their perception of the Group's adherence to it. Employees also responded that they would feel comfortable raising an ethical concern with their line manager, someone else in management or the compliance officer.

6.2 Anti-corruption

The maritime industry is exposed to the risk of corruption and bribery in relation to operations, business development, and securing permits and licences to operate. Höegh LNG's typical risks include unclear local operating requirements and enforcement, extortion schemes and facilitation payments, and the involvement of agents and consultants.

The Code of Conduct and the anti-corruption procedure apply to all personnel and are part of the induction programme for all new employees. The anti-corruption compliance procedure covers a detailed description of risks and Höegh LNG's position, and gives examples and guidance on how to behave in typical risk conditions. The compliance officer reports quarterly to the Board on all such matters.

Höegh LNG pays particular attention to business development projects, since these may expose the Group to corruption risk. New projects and customers are therefore carefully assessed and subject to due diligence processes and Board approval in advance of any contractual commitments. In addition, third parties acting on behalf of Höegh LNG and potential joint venture partners are subject to due diligence processes and Board approval before firm agreements are entered into. Assessing corruption risk is also part of the scope of internal audits and supplier audits. Zero cases of corruption were reported in 2016.

Anti-corruption training of employees is an important tool for Höegh LNG in maintaining a zero corruption track record. Höegh LNG further developed its anti-corruption procedures and training in 2016. During the year, virtually all officers, crew and onshore employees were trained in the Code of Conduct. This included strengthening the knowledge of local managers and internal divisions about how corruption risk can be assessed in order to increase the effectiveness of corruption risk assessment locally. Training seminars and workshops were held for both onshore employees and crew, including captains and officers.

Höegh LNG is a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a corruption-free maritime industry. Höegh LNG representatives attend global and local MACN meetings.

7. Supply chain management

Höegh LNG requires its suppliers and business partners to operate in accordance with the same environmental, social and ethical standards as the Group.

Höegh LNG has a Supplier Code of Conduct covering such areas as human rights, labour standards, employment conditions and HSE, the environment, anti-corruption and conflicts of interest. These requirements were further strengthened and specified in more detail during 2016. All suppliers, including agents, lobbyists and intermediaries, are required to comply with this Code, and are accountable for ensuring that their sub-contractors, subsidiaries and associated companies do the same.

All suppliers must sign the Supplier Code of Conduct unless there are compelling reasons not to do so, in which case a special assessment of the supplier will be conducted. All new suppliers in 2016 have been evaluated in accordance with social, environmental and ethical criteria. Where new suppliers are concerned, an integrity due diligence will be applied if the size of the business contract, corruption rate and/or number of sub-contractors requires this in accordance with the criteria in the diligence procedure.

Höegh LNG is a member of the Incentra purchasing organisation owned by ship-owners and ship managers. Incentra prequalifies suppliers based on standards in line with Höegh LNG's Supplier Code of Conduct. Incentra conducts HSE audits and supplier evaluations.

During 2017, Höegh LNG aims to establish a new set of terms and conditions for major and minor procurement of products and services.

8. Vessel construction

Vessel construction has significant environmental and social impacts, spanning from the selection of construction material to HSE risks for yard workers. Höegh LNG works closely with the shipyards that build its vessels, paying particular attention to the health and safety of the workers involved in the construction process and includes provisions in the shipbuilding contracts requiring the yards to be certified in accordance with ISO 14001, OHSAS 18001, ISO 9001 and ISO 19011 and other detailed provisions regarding HSE compliance. The yards report HSE performance on a monthly basis. A team of experienced Höegh LNG representatives is present on site during the construction period and monitors the entire construction process and the HSE standards closely. Höegh LNG routinely requests additional safety measures to ensure appropriate working standards, and requests improvements if HSE practices do not meet the Group's requirements. No LTIs were reported for shipyard workers involved in the construction of Höegh LNG's vessels in 2016.

Höegh Giant at Hyundai Heavy Industries

04

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Corporate governance enhances business performance by reducing risk and improving accountability, and is essential for maintaining the trust of Höegh LNG's stakeholders and its strong standing in the financial markets.

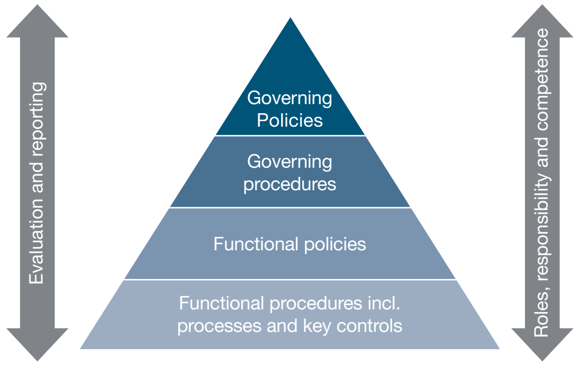
The Company is an exempted limited liability company domiciled and incorporated under the laws of Bermuda and is stock-listed on Oslo Børs (the Oslo stock exchange). The Company is subject to Bermudan law regarding corporate governance. As a listed company on Oslo Børs, the Company is required to provide a report on the Company's corporate governance as further set out in section 7 of the Continuing obligations of stock exchange listed companies (the *"Continuing obligations"*) from Oslo Børs on the corporate governance report.

The Company has adopted and implemented a corporate governance system which, in all material respects, complies with the Norwegian Code*) of Practice for Corporate Governance (the *"Norwegian corporate governance code"*) referred to in section 7 of the continuing obligations. The Norwegian corporate governance code is published at www.nues.no and the Continuing obligations are published on the Oslo Børs web site at www.oslobors.no.

This report is based on the requirements covered in the Norwegian corporate governance code and section 7 of the continuing obligations, and is approved by the Company's Board.

1. Implementation and reporting on corporate governance

The governing principles set out in the Company's bye-laws, the governing principles policy and the Höegh LNG Code of Conduct, and further described below, are the foundations of corporate governance in Höegh LNG.



The governing principles policy (i) identifies the key governing bodies in Höegh LNG, (ii) describes the roles and responsibilities of the governing bodies and functions of the Group and (iii) specifies requirements for the business with regard to important governing processes, documents and systems. The Board has also adopted governing procedures to implement the principles set out in the governing principles policy. These procedures include separate charters for the Board of Directors, the audit committee, the governance, compliance and compensation committee and the nomination committee (which is also approved by the general meeting), as well as instructions for both the President & CEO and the compliance officer.

Höegh LNG employees, as representatives of the Group, are required to adhere to and be in compliance with Höegh LNG's standards for ethics, health, safety, the environment and quality as further set out in the Höegh LNG Code of Conduct, the insider trading policy and the procedure for governmental investigation as adopted by the Board. In addition, the Board has adopted a supplier code of conduct, which all suppliers are required to adhere to.

Through compliance with the above, the Board and management contributes to achieving the objectives listed on the next page:

1 Unless defined in this corporate governance report, capitalised terms used in this report bear the meanings attributed to them in the 2016 Directors' Report for Höegh LNG Holdings Ltd.
*) Definition of code, see page 33

Trust: Good corporate governance establishes a basis for trust in the Board and the management by shareholders and other stakeholders.

Transparency: Communication with Höegh LNG's shareholders is based on transparency concerning both the Company's business and its financial position.

Independence: The relationship between the Board, the management and the shareholders will be on an independent basis.

Equality: Höegh LNG treats all its shareholders equally.

Control and management: Good control and governance mechanisms contribute to predictability and reduce risk.

2. Business

As is common practice for Bermudan-registered companies, the Company's objectives and powers as set out in its Memorandum of Association are broad and therefore wider and more extensive than recommended in the Norwegian corporate governance code. The Memorandum of Association is available on the Company's website (governance – governance documents).

Höegh LNG's strategy is to continue to concentrate its growth plans on the FSRU market in order to secure long-term contracts with strong counterparties at attractive returns. The Group develops, constructs, owns and operates vessels based on the following vision, mission and core values:

Vision

To be the industry leader for floating LNG terminal solutions.

Mission

To develop, own and operate Höegh LNG's assets to the highest technical and commercial standards, thereby maximising the benefits to its shareholders and other stakeholders.

Core Values

Innovative, competent, committed and reliable.

3. Equity and dividends

The issued share capital in the Company at 31 December 2016 was USD 768,840.59, consisting of 76,884,059 fully paid common shares, each with a nominal value of USD 0.01.

A total of 1,952,425 options granted to management and key employees are outstanding at 31 March 2017.

The total book equity at 31 December 2016 was USD 596 million. Net of mark-to-market of hedging reserves, the adjusted book equity at 31 December 2016 was USD 677 million. The Board regards the current level of equity as appropriate in view of Höegh LNG's objectives, strategy and risk profile.

The Company has paid steady quarterly dividends since March 2015, and increased the dividend from USD 0.10 per share to USD 0.125 per share in the first quarter of 2017. The Company intends to pay a regular dividend to support its goal of providing attractive returns to shareholders. The timing and amount of any dividend payments will be dependent on market prospects, investment opportunities, current earnings, financial conditions, cash requirements and availability, restrictions in Höegh LNG's debt agreements, the provisions of Bermudan law and other factors.

Pursuant to Bermudan law and common practice for Bermudan-registered companies, the Board has wide powers to issue any authorised 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 a 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 (clauses 3.3, 3.4 and 5) are neither limited to specific purposes nor to a specified period as recommended in the Norwegian corporate governance code.
The authorised share capital of the Company is 150 million shares, as approved by the general meeting in 2012.

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 Bermudan Companies Act and the bye-laws with regard to the disclosure of his interest, is 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 account of in ascertaining whether a quorum is present.

According to the charter for the Board, however, no Director, the President & CEO and member of the executive personnel may take part in any dealings or decision-making in matters of special importance to them or a related party whereby they may be considered to have a strong personal or financial interest in the matter.

According to the Code of Conduct, an employee must immediately notify the President & CEO, business area leader or the head of HR when he/she realises that a conflict of interest may arise. If a conflict of interest exists, the employee must immediately withdraw from further dealings with the relevant matter.

In the event of any material transaction between the Company and a major shareholder (defined as a person/company holding more than 5% of the Company's voting rights), any such shareholder's parent company, directors and executive personnel, or close associates of any such parties, the Board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the annual general meeting pursuant to applicable law or regulations. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

5. Freely transferable 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 to transfer 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 the Company being deemed a controlled foreign company pursuant to Norwegian tax rules.

- Bye-laws 52 and 53 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 in their class.

6. General meetings

The shareholders of the Company are responsible for making certain key decisions concerning the Company's business including, in the annual general meeting, the appointment of the auditor, the election of the Board of Directors and the nomination committee and the determination of the remuneration of the Directors and members of the nomination committee. Alternate directors are appointed by the Board of Directors and are not elected by the general meeting. Bye-laws 19 to 24 set out extensive rules with regard to the conduct of general meetings, including in relation to the notice of general meetings, general meetings to be held at more than one place, proceedings, voting, proxies and corporate representatives.

Pursuant to Bye-law 22.8, the Board may select one of its members to preside as the chairman of a general meeting.

7. Nomination committee

The members of the nomination committee are elected by the general meeting for one year, and Stephen Knudtzon (chairman), Morten W. Høegh (member) and William Homan-Russell (member) were re-elected in 2016. Knudtzon and Homan-Russell are independent of the Board and the executive personnel of the Company. Homan-Russell represents Tufton Oceanic Limited, which is among the 20 largest shareholders of the Company. Morten W. Høegh is independent of the executive personnel of the Company and represents the largest shareholder of the Company, Leif Höegh & Co Ltd. Morten W. Høegh's appointment on the nomination committee deviates from the recommendation of the Code*), which does not recommend a dual role both as a member of the nomination committee and the Board.

The roles and responsibilities of the nomination committee are set out in the charter for the nomination committee, as approved by the general meeting. The nomination committee provides a written report setting out its work and recommendations, and the report is attached to the notice and agenda for the relevant general meeting. The Company has made provision for any shareholder to submit proposals to the nomination committee via the Company's website.

8. Corporate assembly and Board of Directors: Composition and independence

The Company does not have a corporate assembly[2], as this is not a requirement for Bermuda registered companies.

A presentation of the Board is provided on the Company's website.

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., the largest shareholder of the Company, and Morten W. Høegh, who is the primary beneficiary under a family trust which is an indirect shareholder of Leif Höegh & Co. Ltd.

The Board held four regular meetings in 2016, with all Directors present at three of them and two absent from one meeting. The Board also held eight interim meetings, with the Bermuda-resident Directors and/or their alternates present. In addition, the Board had an information meeting, where all Directors were present, and a workshop, where all but two Directors participated.

The Company has appointed two Board committees; an audit committee (the *"audit committee"*) and a governance, compliance and compensation committee (the *"governance, compliance and compensation committee"*). In connection with the bond issue of January 2017, a bond committee (the *"bond committee"*) was also established. The members of these committees were drawn from among the Directors and, in the case of the bond committee, also from among alternate directors.

- *Members of the audit committee:* The audit committee consisted from May 2016 of the following Directors: Andrew Jamieson (chairman), Leif O. Høegh and Jørgen Kildahl, each being elected for a term of one year. The members are independent of the executive personnel of the Company and the Group. Jamieson and Kildahl are considered to be independent of the major shareholder of the Company.

- *Members of the governance, compliance and compensation committee:* The governance, compliance and compensation committee consisted from May 2016 of Ditlev Wedell-Wedellsborg (chairman), Morten W. Høegh,

[2] Pursuant to Norwegian company law, companies with more than 200 employees, in the absence of any agreement with the employees to the contrary, must have a corporate assembly with members elected by the shareholders and the employees. The main duty of the corporate assembly is the election of the board of directors. In addition, the corporate assembly has certain duties in respect of supervision, issuing opinions and decision making.

Chris Finlayson and Cameron E. Adderley, each being elected for a term of one year. The members are independent of the executive personnel of the Company and the Group. Wedell-Wedellsborg, Finlayson and Adderley are considered to be independent of the major shareholder of the Company.

- *Members of the bond committee:* The committee consisted of Morten W. Høegh, Jørgen Kildahl, Steven Rees Davies and Jerome Wilson.

Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg, Chris Finlayson and Jørgen Kildahl each own shares in the Company directly or indirectly.

Bye-law 25 regulates the appointment and removal of Directors.

As recommended by the Code*), all Directors (save for Cameron E. Adderley) in addition to members of the management hold shares in the Company, as set out in the below table:

Overview of shareholding by Directors and Management

Name	Title	Shareholding in the Company per 31 December 2016	Holding in Höegh LNG Partners LP per 31 December 2016
Morten W. Høegh *	Chairman of the Board	5 713	2 130
Leif O. Høegh *	Deputy Chairman of the Board	5 713	-
Andrew Jamieson	Director	5 713	2 130
Chris Finlayson	Director	1 357	-
Ditlev Wedell-Wedellsborg **	Director	5 713	-
Jørgen Kildahl	Director	904	-
Sveinung J. S. Støhle ***	President & CEO	17 946	6 007
Steffen Føreid ***	CFO	414	5 630
Ragnar Wisløff ***	CDO	2 625	4 280
Vegard Hellekleiv ***	COO	1 972	-

Notes:

* Leif Höegh & Co. Ltd., which is indirectly controlled by Leif O. Høegh and a family trust under which Morten W. Høegh is the primary beneficiary, holds a total of 31,933,849 shares, representing 41.54% of the shares in the Company and 287,500 common units in Höegh LNG Partners LP. In addition, Brompton Cross entities, which are co-investment vehicles for the management of Höegh Capital Partners, indirectly controlled by Leif O. Høegh and by a family trust under which Morten W. Høegh is a primary beneficiary, hold the following ownership interest in the Company and Höegh LNG Partners LP ("HMLP"), as applicable:

- Brompton Cross VI Limited holds 31,916 shares, representing 0.04% of the shares in issue and 20,000 common units in HMLP.
- Brompton Cross VII Limited holds 40,800 shares, representing 0.05% of the shares in issue, and 25,000 common units in HMLP.
- Brompton Cross VIII Limited holds 28,500 shares, representing 0.04% of the shares in issue.
- Brompton Cross IX Limited holds 28,500 shares, representing 0.04% of the shares in issue.

** In addition, Ditlev Wedell-Wedellsborg owns 11,800 shares in the Company through Niki Invest Aps. and 16,210 common units in Höegh LNG Partners LP through DWW Landbrug Aps.

*** Members of management have also been granted share options in the Company and phantom units in HMLP as further set out in Note 24 to the 2016 full-year financials. In addition, members of management have ownership interests in the Company through Methane Ventures Ltd.

9. The work of the Board of Directors

The Board is responsible for the administration of Höegh LNG and for safeguarding the proper organisation of the business, including the overall management of the Company and the Group as further set out in the charter for the Board of Directors. The Board makes decisions and, in certain cases, grants the authority to make decisions on issues which, owing to the nature of the business, are unusual or of major significance to the Company.

The Board will ensure that Höegh LNG adheres to generally accepted principles for the effective control of company activities, and provides the necessary guidelines for such activities and corporate management. The Board will also ensure that Höegh LNG protects its reputation in relation to owners, employees, customers and the public.

The Board approves strategies, business plans and budgets for the activities of Höegh LNG and its subsidiaries.

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 charter for the Board of Directors.

The Board conducts a self-evaluation of its own performance and expertise on an annual basis, which includes 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. This 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 Company's assets under a management agreement comprising administrative, commercial and technical activities. The Board establishes and defines the authorities and extent of decisions to be exercised by the President & CEO and the Board through the Company's decision guide.

The work of the Board committees

The tasks of the audit committee and the governance, compliance and compensation committee are defined in committee charters, which are reviewed annually. See also item 10 below. The work of the committees is preparatory in nature, in order to increase the efficiency 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 and security management, and Höegh LNG has robust management systems certified in accordance with the International Safety Management code, ISO 9001, ISO 14001 and OHSAS 18001.

The President & CEO reports regularly to the Board on risk, security and compliance, HSE, quality assurance issues, financials, on-going business and business developments, vessel management and key performance indicators.

Höegh LNG has a QA and risk management function, which is responsible for the internal audit function in Höegh LNG and meets regularly with the audit committee. The QA and risk management function helps Höegh LNG to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk and security management, control and governance processes. In addition, the Group's wholly-owned fleet management company has a separate HSEQ & QA function. The Company has in place effective internal controls for financial reporting which satisfy the requirements of the US Sarbanes-Oxley Act 404. This comprises an annual process which includes risk assessment of fraud, corruption and misstatements in financial reporting, design and implementation of key controls, updated documentation and completeness of necessary remediation. The internal control framework is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission).

CORPORATE GOVERNANCE REPORT

Höegh LNG is also subject to extensive external control by its auditors, external partners in joint ventures and charterers.

The management and the compliance officer monitor that Höegh LNG acts in accordance with applicable laws and regulations.

Höegh LNG has implemented an integrated governing management system (*"GMS"*) to demonstrate its capability for planning, operating and controlling the processes involved in the services rendered. Health (including occupational health), safety and environmental management, and project and security risk management are all included in the GMS.

The Company has put ethical hotlines in place where employees, and external parties as well in the case of HMLP, can report any non-compliance issues – anonymously if desired. These reports are received by Höegh LNG's compliance officer for the Company, and by the chairman of HMLP's audit committee.

The audit committee will provide direction, advice and recommendations to the Board on financial reporting, internal controls and auditing matters. It is responsible for assessing and monitoring business and financial risks and overseeing the implemented risk mitigating actions. The committee is the formal reporting body for internal controls with regard to financial reporting.

The governance, compliance and compensation committee will provide direction, advice and recommendations to the Board related to corporate governance, ethics and compliance, corporate social responsibility (CSR) and remuneration matters (including remuneration of the President & CEO). The committee is required to understand, assess and monitor risks related to these areas and to oversee the risk-mitigating actions implemented.

11. Remuneration of the Board of Directors

Remuneration of the Board totalled USD 314,992 in 2016, including the granting of 1,357 shares (save for Jørgen Kildahl who received 904 shares), a total remuneration of USD 84,992. In addition USD 35,000 in cash to each of Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg and Chris Finlayson, and USD 25,000 in cash to Jørgen Kildahl.

Appleby Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of Cameron E. Adderley as a Director and the services of alternate directors to the Company. Cameron E. Adderley is a partner of Appleby.

The chairman of the audit committee and the chairman of the governance, compliance and compensation committee each received USD 10,000 as payment for services rendered by them as chairmen of the respective committees.

Morten W. Høegh received USD 5,000 as a member of the Company's nomination committee and also receives an annual salary of GBP 36,000 from Leif Höegh (U.K.) Limited (a subsidiary of Höegh LNG) 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 Director has service contracts with the Company or any of its subsidiaries providing for benefits on termination of their employment.

12. Remuneration of executive personnel

The Board approves the remuneration to the President & CEO. In addition, it approves the main terms of the remuneration package offered to employees in Höegh LNG, including the parameters for any annual salary adjustments, pension schemes and the variable elements in the remuneration package (bonus and stock option schemes).

The Company has a stock option scheme in place for management and key personnel, with awards currently being made on a bi-annual basis (see Note 24 to the 2016 full-year financials). The terms of the scheme and the option agreements, including its members, are approved by the Board. There are no restrictions on the ownership of awarded options for shares.

Further details on remuneration of executive personnel for the current financial year are provided in Note 32 to the 2016 full-year financials.

As a Bermudan entity, sections 6-16a and 6-37 of the Norwegian Public Company Act do not apply to Höegh LNG. Hence, the Board does not produce a statement on how salary and other remuneration, etc. for the Group's executive personnel are determined, nor is such a statement submitted to the annual general meeting for consideration.

13. Information and communications

Höegh LNG has a policy of openness with regard 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 website. Main events are also reported through press and/or stock exchange releases. In connection with the release of quarterly reports, the President & CEO and the CFO hold open webcasts which are accessible from the Company's website.

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

Outside the general meeting, contact with the shareholders is handled by the President & CEO, the CFO and the head of IR. This aims to maintain an active dialogue with the investor market and other relevant interested parties.

The Company complies with the Oslo Børs code of practice for IR, with the following comments:

- The Company discloses information in the English language only.
- The Company publishes interim reports as soon as possible and aims to publish them no later than on the 15th day of the second month after the end of the relevant quarter.
- The Company publishes a list of its 20 largest shareholders, but not a list of the 20 largest beneficial owners as the proportion of shares registered through nominee accounts is limited compared with the Company's total issued shares.
- Employees and primary insiders are required to obtain prior written approval from the Company before conducting any trading in the Company's share.
- The Company provides information about future prospects on a project-by-project basis in the various business segments. The following KPIs are communicated: Expected unleveraged return, expected EBITDA per year and the expected debt-to-equity ratio. The Company does not provide any guidance on expected revenue, net profit or any accounting-related information or figures.
- Information about financial strategy and external debt is included in the notes to the full-year financials.

14. Takeovers

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 Norwegian corporate governance code in the event of a takeover bid.

15. Auditor

The auditor is appointed by 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 and once a year with the full Board. The auditor is also given copies of the agenda of and documentation for and minutes from audit committee and Board meetings.

Hamilton, Bermuda, 22 March 2017

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

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Cameron E. Adderley
Director

Sveinung J.S. Støhle
President & CEO

DIRECTORS' RESPONSIBILITY STATEMENT

Today, the Board of Directors and President & CEO reviewed and approved the Board of Directors' Report, the Corporate Social Responsibility chapter, the Corporate Governance Report and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending as of 31 December 2016 (Annual Report 2016).

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 2016 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 2016 for the Group and the parent company; and
- 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, Bermuda, 22 March 2017

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

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Cameron E. Adderley
Director

Sveinung J.S. Støhle
President & CEO

Ship-to-ship transfer

CONSOLIDATED FINANCIAL STATEMENTS HÖEGH LNG GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF INCOME

USD'000	Note	2016	2015
Freight revenues	4	213 889	198 684
Management and other income	5	5 252	9 328
Share of results from investments in joint ventures	21	13 773	11 359
TOTAL INCOME		**232 914**	**219 371**
Charterhire expenses		(35 359)	(35 302)
Bunker and other voyage related expenses		(424)	(2 759)
Operating expenses	6	(43 754)	(41 870)
Project administrative expenses	7, 8	(13 161)	(12 824)
Group administrative expenses	7, 9	(20 585)	(19 039)
Business development expenses	7, 10	(8 351)	(17 285)
OPERATING PROFIT (LOSS) BEFORE DEPRECIATION AND IMPAIRMENT		**111 280**	**90 292**
Depreciation	11	(34 848)	(30 717)
(Impairment)/Reversal of impairment	11, 13	-	(33 887)
OPERATING PROFIT (LOSS) AFTER DEPRECIATION AND IMPAIRMENT		**76 432**	**25 688**
Interest income		1 457	1 495
Interest expenses	18	(55 180)	(43 990)
Income from other financial items		6 214	423
Expenses from other financial items	19	(9 790)	(9 318)
NET FINANCIAL ITEMS		**(57 299)**	**(51 390)**
ORDINARY PROFIT (LOSS) BEFORE TAX		**19 133**	**(25 702)**
Income taxes	25	(5 121)	(1 056)
PROFIT (LOSS) FOR THE YEAR		**14 012**	**(26 758)**
Profit (loss) of the period attributable to (from):			
Equity holders of the parent		1 298	(37 737)
Non-controlling interests		12 714	10 979
TOTAL		**14 012**	**(26 758)**
Earnings per share attributable to equity holders of the parent during the year:			
Basic and diluted earnings per share (loss)		0.02	(0.53)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

USD'000	Note	2016	2015
Profit for the year		14 012	(26 758)
Items that will not be reclassified to profit or (loss)			
Net gain (loss) on other capital reserves		22	47
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on hedging reserves	14	14 022	(4 270)
Share of other comprehensive income from joint ventures	14, 21	11 199	11 728
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR NET OF TAX		**25 243**	**7 505**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**39 255**	**(19 253)**
Total comprehensive income attributable to (from):			
Equity holders of the parent		19 590	(34 784)
Non-controlling interests		19 665	15 531
TOTAL		**39 255**	**(19 253)**

The notes on page 47 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
USD'000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	25	353	364
Licenses, design and other intangibles	13	-	-
Tangible assets			
Investments in FSRUs	11	1 139 734	871 353
Investments in newbuildings under construction	12	129 678	161 198
Other non-current financial assets	31	22 123	12 960
Other non-current assets	30	22 120	25 539
Shareholder loans	32	943	6 861
Non-current restricted cash	15	18 580	19 648
TOTAL NON-CURRENT ASSETS		**1 333 531**	**1 097 923**
Current assets			
Bunkers and inventories		745	1 684
Trade and other receivables	26	40 539	33 307
Shareholder loans	32	6 275	7 130
Marketable securities	16	135 751	231 094
Current restricted cash	15	10 274	15 542
Cash and cash equivalents	15	186 346	97 623
Total current assets		**379 930**	**386 380**
Asset held for sale	**11**	**-**	**17 978**
TOTAL ASSETS		**1 713 461**	**1 502 281**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	769	768
Other paid-in capital		550 659	522 954
Capital reserves		(53 853)	(81 438)
Retained earnings		(51 599)	(19 927)
Equity attributable to equity holders of the parent		**445 976**	**422 357**
Non-controlling interests		150 087	69 208
TOTAL EQUITY		**596 063**	**491 565**
Non-current liabilities			
Deferred tax liability		6 114	358
Non-current interest-bearing debt	17	786 567	732 026
Investment in joint ventures	21	48 530	73 502
Other non-current financial liabilities	14, 31	16 938	70 699
Deferred revenue		5 761	7 699
TOTAL NON-CURRENT LIABILITIES		**863 910**	**884 284**
Current liabilities			
Current interest-bearing debt	17	149 295	55 036
Income tax payable	25	1 109	2 218
Trade and other payables	27	19 023	18 706
Other current financial liabilities	14, 29	57 890	18 372
Other current liabilities	28	26 171	32 100
Total current liabilities		**253 488**	**126 432**
TOTAL EQUITY AND LIABILITIES		**1 713 461**	**1 502 281**

The notes on page 47 to 93 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 22 March 2017

The Board of Directors and the President & CEO

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Cameron E. Adderley
Director

Sveinung J.S. Støhle
President & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the parent									
USD'000		Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
	Note	Note 22				Note 14					
At 1 January 2015		**699**	**344 317**	**(12)**	**77 801**	**(83 072)**	**(2 863)**	**19 570**	**356 440**	**96 470**	**452 910**
Profit (loss) for the year								(37 737)	(37 737)	10 979	(26 758)
Other comprehensive income for the year						2 906	47		2 953	4 552	7 505
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**2 906**	**47**	**(37 737)**	**(34 784)**	**15 531**	**(19 253)**
Issue of share capital	22	69	100 423		(41)				100 451	-	100 451
Other changes in paid-in capital					(869)				(869)	-	(869)
Share-based payments	24				1 628				1 628	64	1 692
Share-based payment - cash settled					(293)				(293)	-	(293)
Capital contribution to HMLP								(2 768)	(2 768)	2 768	-
Dividend to shareholders of the parent								(28 169)	(28 169)	-	(28 169)
HMLP dividend to non-controlling interest									-	(14 904)	(14 904)
Sale of subsidiary to HMLP	21					1 544		29 177	30 721	(30 721)	-
Total other transactions, recognised directly in equity		**69**	**100 423**	**-**	**425**	**1 544**	**-**	**(1 760)**	**100 701**	**(42 793)**	**57 908**
At 31 December 2015		**768**	**444 740**	**(12)**	**78 226**	**(78 622)**	**(2 816)**	**(19 927)**	**422 357**	**69 208**	**491 565**
Profit (loss) for the year								1 298	1 298	12 714	14 012
Other comprehensive income for the year						18 270	22		18 292	6 951	25 243
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**18 270**	**22**	**1 298**	**19 590**	**19 665**	**39 255**
Issue of share capital	22	1	338		(252)				87	-	87
Share-based payments	24				1 815				1 815	212	2 027
Share-based payment - cash settled					(100)				(100)	-	(100)
Capital contribution to HMLP								(1 613)	(1 613)	1 613	-
Units granted to the board of HMLP					56	19			75	114	189
Dividend to shareholders of the parent								(30 263)	(30 263)	-	(30 263)
HMLP dividend to non-controlling interest									-	(18 225)	(18 225)
Net proceeds of equity issuance HMLP					25 848	9 274			35 122	76 406	111 528
Other changes in equity								(1 094)	(1 094)	1 094	-
Total other transactions, recognised directly in equity		**1**	**338**	**-**	**27 367**	**9 293**	**-**	**(32 970)**	**4 029**	**61 214**	**65 243**
At 31 December 2016		**769**	**445 078**	**(12)**	**105 593**	**(51 059)**	**(2 794)**	**(51 599)**	**445 976**	**150 087**	**596 063**

The notes on page 47 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000	Note	2016	2015
Cash flow from operating activities:			
Profit (loss) before tax for the year		19 133	(25 702)
Non-cash adjustment to reconcile profit before tax to net operational cash flows			
Depreciation vessels, drydocking and equipment	11	34 848	30 717
Net impairment expenses (reversal of impairment)	13	-	33 887
Fair value adjustments on marketable securities	16	(5 697)	(362)
Interest income		(1 457)	(1 495)
Interest cost	18	55 180	43 990
Net loss (income) on interest rate hedges		(517)	572
Currency loss on restricted cash balances		5 200	-
Share-based payment cost and Board remuneration not paid-out	24	2 012	1 742
Share of profits from investments in joint ventures	21	(13 772)	(11 359)
Working capital adjustments			
Change in inventories, receivables and payables		(19 027)	1 661
Dividend received from joint ventures		-	1 578
Payment of income tax		(423)	(37)
i) NET CASH FLOW FROM OPERATING ACTIVITIES		**75 479**	**75 191**
Cash flow from investing activites:			
Investment in marketable securities	16	(116)	(184 230)
Proceeds from sale of marketable securities	16	101 269	71 191
Investments in vessels, drydocking, newbuildings and mooring		(264 799)	(56 429)
Net proceeds from sale of LNG Libra		17 978	
Investment in intangibles, equipment and other		(969)	(717)
Interest received		1 387	1 007
Repayment of shareholder loans		6 639	5 254
ii) NET CASH FLOW FROM INVESTING ACTIVITIES		**(138 611)**	**(163 924)**
Cash flow from financing activites:			
Gross proceeds from equity issuance in Höegh LNG Partners LP	21	112 013	-
Transaction cost of equity issuance in Höegh LNG Partners LP	21	(484)	-
Gross proceeds from equity issuance	22	-	102 908
Transaction cost of equity issuance	22	-	(2 509)
Dividend paid to non-controlling interest (HMLP)		(18 224)	(14 903)
Dividend paid to shareholders of the parent		(30 263)	(28 169)
Proceeds from borrowings		200 067	165 200
Payment of debt issuance cost		(2 421)	(2 630)
Repayment of borrowings		(57 394)	(47 223)
Interest paid		(53 773)	(45 511)
Breakage cost paid on interest rate swaps		-	(3 185)
(Increase) decrease in restricted cash		2 333	(3 923)
iii) NET CASH FLOW FROM FINANCING ACTIVITIES		**151 854**	**120 054**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (i+ii+iii)		**88 722**	**31 321**
Current cash and cash equivalents at 1 January		97 623	66 302
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**15**	**186 345**	**97 623**
Guarantees (Interest rate swaps Arctic leases)		26 381	30 489
Undrawn facilities	22	194 000	200 000
Aggregate cash flows from joint ventures		5 964	2 721

The notes on page 47 to 93 are an integral part of these consolidated financial statements.

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the "Company") is an exempted company incorporated with limited liability under the laws of Bermuda. The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements for the fiscal year of 2016 comprise the Company, its subsidiaries and joint venture companies (collectively "Höegh LNG" or the "Group"). The Company is listed on Oslo Børs (the Oslo stock exchange) under the ticker "HLNG".

Höegh LNG Partners LP ("HMLP") is a limited partnership formed by the Company in 2014 and listed on the New York Stock Exchange ("NYSE") under the ticker "HMLP". HMLP and its subsidiaries are collectively referred to as the "MLP".

Information on the Group's structure is provided in Note 21. Information on other related party transactions of Höegh LNG is provided in Note 32.

As of 31 December 2016, Höegh LNG operated a fleet of two LNG transportation vessels (LNGCs) and six floating storage and regasification units (FSRUs) and had four FSRUs under construction including orders announced in January 2017.

The annual accounts for the Company and the Group for the year ended 31 December 2016 were approved by the Board on 22 March 2017.

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Höegh LNG and the financials for the 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 Höegh LNG also apply to the Company and the notes to the consolidated financial statements will in some cases cover the Company only.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and the marketable securities portfolio, which are measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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 and function are provided in the notes to the financial statements.

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

2.2 Foreign currencies

Höegh LNG 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 recognised in USD at the rate of exchange at the date of the transactions. 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 Company and its subsidiaries and joint venture companies as at 31 December 2016.

(a) Subsidiaries

Subsidiaries are all entities in which Höegh LNG has a controlling interest. Control is achieved when

Höegh LNG 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 Höegh LNG has less than a majority of the voting or similar rights of an investee, all relevant facts and circumstances are considered in assessing whether Höegh LNG has de facto power over an investee. Höegh LNG re-assesses whether or not it controls an investee if facts and circumstances change.

Subsidiaries are fully consolidated from the date on which control is transferred to Höegh LNG and de-consolidated from the date on which control ceases to exist. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Höegh LNG recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the time of the transaction. Any change in ownership interests without change of control is accounted for as equity transactions towards non-controlling interest.

(b) Investment in joint ventures
Höegh LNG applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations. Höegh LNG has assessed the nature of all its joint agreements and assessed them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the post-acquisition profits or losses, movements in other comprehensive income or dividends received.

Unrealised gains and losses resulting from transactions between companies in the Group and joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of Höegh LNG.

2.4 Segment reporting
Operating segments are reported in accordance with the internal reporting provided to the chief decision-makers, defined as the Board of Directors of the Company.

2.5 Revenue recognition
Revenue is recognised to the extent it is probable that the economic benefits will flow to Höegh LNG 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 the receivable, taking into account contractually defined terms of payment. The specific recognition criteria described below must also be met before revenue is recognised.

(a) Income on time charter basis
Chartering arrangements, in which substantially all of the risks and rewards of the ownership of the underlying LNGC or FSRU are retained by Höegh LNG, are classified as operating leases pursuant to IAS 17. Income from operating leases is recognised on a straight-line basis as time charter income. Höegh LNG does not recognise 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 Höegh LNG. Voyage expenses include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees.

(b) Management and other income
Höegh LNG receives management income from technical, commercial and administrative services delivered to joint ventures or external parties. This income is recognised in the period in which the service is provided.

2.6 Operating expenses
FSRU and LNGC operating expenses include crew personnel expenses, repairs and maintenance, insurance, stores, lube oils, communication expenses and management fees.

For some contracts, the majority of vessel operating expenses are reimbursed from the charterer. In such circumstances, operating expenses are recognised as incurred and the revenue is recognised accordingly.

2.7 Current versus non-current classification
Höegh LNG'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, alternatively separated into current and non-current portions based on an assessment of 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.

Cash not available for general use by Höegh LNG due to loan restrictions or currency restrictions are classified as restricted cash.

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 valuation 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.

Höegh LNG 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 based on the lowest level input that is significant to the fair value measurement as a whole, and can be described as follows:

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.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Marketable securities; Note 16
- Financial risk management objectives and policies; Note 14

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. The measurement

principles for the relevant categories for Höegh LNG are described below:

(a) 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.

Höegh LNG 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.

(b) Financial assets at fair value through other comprehensive income
Höegh LNG uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks.

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

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

a) Depreciation of FSRUs and LNGCs
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.

Certain capitalised 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 five to seven years period. When second hand vessels are purchased and newbuildings are delivered, a portion of the price paid is classified as dry docking costs. 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.

b) Newbuildings
FRSUs under construction are classified as non-current assets and recognised at the costs incurred till date. Yard instalments are recognised when due. Newbuildings are not depreciated prior to delivery from the yard as an FSRU or an LNGC. Borrowing costs directly attributable to the construction of FRSUs are added to the cost of the vessels, until such time as the vessels are ready for their intended use.

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

Equipment used for FSRU operations such as jetty topsides and other infrastructure where the FSRU is located, depending on the feasibility of reallocating the equipment, are depreciated either over the contract term or estimated useful life.

d) Impairment of tangible assets
Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment indications have been identified.

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 amortisation and accumulated impairment losses.

Capitalised intangible assets with finite lives are assessed for impairment.

2.14 Lease accounting
Leases in which a significant portion of the risks and rewards of ownership are retained by Höegh LNG as lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Lease of vessels or equipment where Höegh LNG as lessor has transferred substantially all the risks and rewards of ownership are classified as financial leases.

At the inception of a financial lease the vessel value is derecognised. And the lower of fair value of the leased item or the present value of minimum lease payments is recognised as a receivable towards the charterer. Each lease payment received is allocated between reducing the receivable and interest income. The interest element is recorded as revenue in the income statement over the lease period, so as to produce a periodic rate of interest on the remaining balance of the receivable.

2.15 Provisions
Provisions are recognised when Höegh LNG has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow or resources representing 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.

2.16 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 Höegh LNG's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as a share premium.
Transaction costs related to an equity transaction are recognised directly in equity, net of tax.

2.17 Income tax
The companies in Höegh LNG are subject to income tax in certain 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.

(a) 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 Höegh LNG operates and generate taxable income.

(b) Deferred tax
Deferred tax is calculated using the method on temporary differences at the reporting date between

the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.18 Impairment of assets

(a) Financial assets
Höegh LNG assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. For financial assets carried at amortised cost, Höegh LNG 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 asset's carrying amount and the present value of estimated future cash flows.

(b) Vessels, Newbuildings and Equipment
The carrying amounts of FSRUs, LNGCs, newbuildings and equipment are tested for impairment whenever there are indications that the value may be impaired. When such indicators exist, Höegh LNG estimates the asset's recoverable amount. The recoverable amount is the lowest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flows from the employment of the asset ("value in use"). To calculate the NPV, an asset specific interest rate is applied based on Höegh LNG's long-term borrowing rate and a risk free rate plus a risk premium for the equity. If the recoverable amount is lower than the book value, the asset is revalued to the recoverable amount.

Generally, all vessels are considered separate cash generating units and assessed independently. Future cash flows are based on expected charter earnings and estimated operating expenses over the remaining useful life of the vessel.

(c) Intangible assets
For intangible assets with indefinite useful lives and intangible assets in the development phase, Höegh LNG 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 of 31 December 2015 and 2016, all material intangibles related to the FLNG segment have been impaired.

2.19 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.

Debt issuance cost, including arrangement fees and legal expenses are deferred and netted against the financial liability in the balance sheet and amortised on an effective interest rate method.

2.20 Share-based payments

Members of the Top Management and key employees of Höegh LNG receive part of their 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, as equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Höegh LNG'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 as 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.

2.21 Events after balance sheet date

New information becoming available after the balance sheet date with impact on Höegh LNG's financial position at the balance sheet date is taken into account in the annual financial statements and disclosed if significant.

2.22 Shares and units in subsidiaries (Company only)

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

2.23 New and amended standards and interpretations adopted by Höegh LNG

There are no standards adopted by Höegh LNG for the first time for the financial year beginning 1 January 2016, which have had material impact on the financial statements.

2.24 New standards issued but not yet effective

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below to the extent they are considered relevant for the Group. Höegh LNG's intention is to adopt relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial instruments (replacement of IAS 39)
IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB has divided the project into phases: Classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. If not early adopted, the standard becomes effective as of 1 January 2018. Höegh LNG has made a preliminary assessment of the effect of the standard without identifying any material impact on its financial performance.

IFRS 15 Revenue from Contracts with Customers
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). If not early adopted, the standard becomes effective as of 1 January 2017. Höegh LNG has made a preliminary assessment of the effect of the standard without identifying any material impact on Höegh LNG's financial performance.

IFRS 16 Leases
IFRS 16 replaces the existing IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor").

For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

The new lease standards require lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements.

The Group has made a preliminary assessment of the effect of the standard. The impact is expected to be an increase in recognised fixed assets and debt, with a corresponding shift of certain amounts from bareboat expenses to partly depreciation and partly to interest expenses.

Other changes in accounting policies are considered not to cause material effects for Höegh LNG.

2.25 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires Management to make estimates, assumptions and judgements that 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 accounting judgements

Management has applied significant judgments in applying Höegh LNG's accounting policies mainly relating to the following:

- Application of currency rates for Egyptian Pounds
- Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights.

Application of currency rates for Egyptian Pounds

Höegh LNG has certain revenue, costs and balance sheet items denominated in Egyptian Pounds ("EGP"). Up until November 2016 restrictions on exchanging EGP into USD were imposed by the Egyptian Authorities. As a consequence, the EGP denominated cash balance held by Höegh LNG in excess of working capital need has been classified as non-current restricted cash as it is not freely available to the Group.

On 3 November 2016, the Egyptian central bank announced the end of the fixed exchange rate regime for EGP and stated that the currency would be allowed to float against other currencies. As a consequence the cash balance of EGP 77 million as of November was subject to a currency loss of USD 4.6 million.

As of 31 December 2016, there are still practical limitations on financial institutions' ability to exchange EGP into USD and as a consequence, the EGP denominated cash balance in excess of working capital need has been classified as restricted cash.

Based on an overall evaluation, Management has concluded that it is most appropriate to use the official USD/EGP exchange rates set by the Egyptian Central Bank in converting EGP denominated items into USD.

In the event that EGP can be freely exchanged into USD the cash and receivables held by Höegh LNG could be subject to a further currency impact.

Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights

Höegh LNG Partners LP ("HMLP")

The Company held 46.4% of the units in HMLP at 31 December 2016. For the 2014 financial statements, Management concluded that Höegh LNG had de facto control of HMLP even though it has less than 50% of the voting rights. See Note 21 for additional information. An evaluation of de facto control involves assessing all of the facts and circumstances, including the current composition of the board of directors of HMLP, the rights of unitholders and other arrangements and relationships between the parties. Management's assessment is based on the combination of factors where the current composition of the board of directors of HMLP was an important element in the overall conclusion.

Management has updated the assessment for the year ended 31 December 2016 and there are no material changes in facts and circumstances impacting the conclusion.

PT Hoegh LNG Lampung

HMLP indirectly owns 49.0% of the shares in PT Hoegh LNG Lampung, a company owning and operating PGN FSRU Lampung. HMLP has the power to make the most significant key operating decisions and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses are consolidated in Höegh LNG's accounts.

Management has updated the assessment for the year ended 31 December 2016 and there are no material changes in facts and circumstances impacting the conclusion.

Significant estimates and assumptions

Management has applied significant estimates and assumptions mainly relating to the following:

- Tax positions
- VAT related matters towards a customer

Accounting of uncertain tax position

Benefits from uncertain tax positions are recognised when it is probable that a tax position will be sustained upon examination based on technical merits of the position.

Receivable for VAT on invoice from customer

As at 31 December 2016, a receivable related to VAT (amounting to USD 6.2 million) on an invoice from 2014 has not yet been paid. The customer has initiated a process with the tax authorities to determine if the VAT liability for the invoice was required by the tax authorities under the specific set of circumstances. Based on external tax advice, the customer's position presented to the tax authorities has merit, which could result in the waiver of the VAT liability due from Höegh LNG's subsidiary so that a credit note could be issued. If the process with the tax authorities does not prevail, it is assessed based on tax advice, that the receivable is a valid claim enforceable against the customer. In accordance with IFRS, Management has assessed the recoverability of the receivable, and the best estimate is that the receivable will be fully recovered. Due to uncertainties of timing of collection, the receivable has been reclassified to Non-current financial assets.

Note 3: Segment reporting

For the purpose of making decisions on resource allocation and performance assessment, Management monitors the operating results of Höegh LNG's operating segments separately. The only assets and liabilities included in the segment report are FSRUs, newbuildings, interest-bearing debt and intangible assets. The Group's joint ventures are evaluated using the proportionate consolidation method rather than the equity method in the segment reporting.

Commercial

The Commercial segment is responsible for the commercial management of Höegh LNG's FSRU and LNGC fleet, and tender activities for new FSRU and LNGC business.

The segment includes time charter income and operating expenses for the three LNGCs, Arctic Princess, Arctic Lady and LNG Libra and the FSRUs Independence and Höegh Grace. LNG Libra was sold in February 2016. For the Arctic Princess and Arctic Lady, the segment reporting also include bareboat hire paid to external owners, 66% and 50%, respectively, as well as management income for commercial management services paid by the external owners.

Neptune, GDF Suez Cape Ann and PGN FSRU Lampung were transferred from the Commercial to the MLP segment with effect from 13 August 2014, while Höegh Gallant was transferred with effect from 1 October 2015.

MLP

The MLP segment includes activities related to the MLP, which was established for the purpose of owning, operating and acquiring FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. The MLP fleet consists of the following FSRUs: (i) a 50% interest in the Neptune; (ii) a 50% interest in the GDF Suez Cape Ann; (iii) a 100% economic interest in the PGN FSRU Lampung and (iv) a 100% interest in Höegh Gallant. Höegh LNG is obliged to offer any FSRU or LNGC operating under a long-term charter to HMLP. The capitalised costs attributable to the MLP segment relate to the ownership of the four FSRUs.

Technical

The Technical segment is responsible for technical management of Höegh LNG's FSRUs and LNGCs and for the execution of new regasification and transport projects until delivery. The segment records income for technical management services paid by external owners in the Group's jointly controlled vessels and by the third-party owners of Matthew, the latter until it was sold in July 2016. The segment furthermore records revenue and expenses relating to new FSRU and LNGC contracts until delivery. Capitalised costs in the segment relate to the FSRU newbuilding programme.

FLNG

The FLNG segment has been responsible for developing and marketing the FLNG designs developed by Höegh LNG. It has recorded income and expenses for engineering studies and expenses related to marketing of the designs. Capitalised costs within the segment relate to investment in a generic FLNG front-end engineering and design (FEED), which was impaired following the decision on 16 February 2016 to cease all FLNG activities.

Other

The Other segment consists 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.

Table: Segment information to year ended 31 December 2016

USD million EBITDA split by segment	Commercial	FLNG	Technical	MLP	Other	Consolidated (proportionate)	Adjustments	Consolidated (equity method)
Freight revenues	117.4	-	-	138.6	-	256.0	(42.1)	213.9
Management and other income	2.7	0.1	1.1	0.9	0.3	5.1	0.1	5.2
Share of results from inv. in JVs	-	-	-	-	-	-	13.8	13.8
TOTAL INCOME	**120.1**	**0.1**	**1.1**	**139.5**	**0.3**	**261.1**	**(28.2)**	**232.9**
Charter hire expenses	(20.6)	-	-	-	-	(20.6)	(14.8)	(35.4)
Voyage expenses	(0.4)	-	-	-	-	(0.4)	-	(0.4)
Operating expenses	(25.1)	-	(1.5)	(25.0)	-	(51.6)	7.8	(43.8)
Project administrative expenses	(5.4)	-	(4.6)	(3.4)	-	(13.4)	0.1	(13.3)
Group administrative expenses	-	-	-	(6.3)	(14.2)	(20.5)	(0.1)	(20.6)
Business development expenses	(6.0)	(1.2)	(1.2)	-	-	(8.4)	0.2	(8.2)
EBITDA	**62.6**	**(1.1)**	**(6.2)**	**104.8**	**(13.9)**	**146.2**	**(35.0)**	**111.3**

Selected items in Financial Position	Commercial	FLNG	Technical	MLP	Other	Consolidated (proportionate)	Adjustments	Consolidated (equity method)
Tangible assets								
Investments in FSRUs and NBs	697.7	-	129.7	835.4	-	1 662.8	(393.4)	1 269.4
Liabilities								
Interest-bearing debt	510.0	-	-	569.6	216.6	1 296.2	(360.4)	935.8

Table: Segment information to year ended 31 December 2015

USD million EBITDA split by segment	Commercial	FLNG	Technical	MLP	Other	Consolidated (proportionate)	Adjustments	Consolidated (equity method)
Freight revenues	137.6	-	-	103.2	-	240.8	(42.1)	198.7
Management and other income	1.9	4.8	2.2	-	-	8.9	0.4	9.3
Share of results from inv. in JVs	-	-	-	-	-	-	11.4	11.4
TOTAL INCOME	**139.5**	**4.8**	**2.2**	**103.2**	**-**	**249.7**	**(30.3)**	**219.4**
Charter hire expenses	(20.5)	-	-	-	-	(20.5)	(14.8)	(35.3)
Voyage expenses	(2.5)	-	-	(0.3)	-	(2.8)	-	(2.8)
Operating expenses	(31.5)	-	(0.8)	(18.1)	-	(50.4)	8.5	(41.9)
Project administrative expenses	(3.9)	-	(5.7)	(3.4)	-	(13.0)	0.2	(12.8)
Group administrative expenses	-	-	-	(5.4)	(13.6)	(19.0)	-	(19.0)
Business development expenses	(6.1)	(10.3)	(0.8)	-	-	(17.2)	(0.1)	(17.3)
EBITDA	**75.0**	**(5.5)**	**(5.1)**	**76.0**	**(13.6)**	**126.8**	**(36,5)**	**90.3**

Selected items in Financial Position	Commercial	FLNG	Technical	MLP	Other	Consolidated (proportionate)	Adjustments	Consolidated (equity method)
Intangible assets								
Licenses, design and other intangibles	-	-	-	-	-	-	-	-
Tangible assets								
Investments in FSRUs and NBs	416.6	-	161.2	861.0	-	1 438.8	(406.2)	1 032.6
Liabilities								
Interest-bearing debt	340.7	-	-	609.6	213.2	1 163.5	(376.4)	787.1

Note 4: Freight revenues

Höegh LNG, including its joint ventures, operates six FSRUs and two LNGCs.

Revenue from Neptune and GDF Suez Cape Ann is recorded through Höegh LNG's share of results in joint ventures. Arctic Lady and Arctic Princess are owned together with joint venture partners, but subleased to the fully owned subsidiary Leif Höegh (U.K.) Limited, which recognises the time charter party ("TCP") hire as freight revenues.

Table: Time charter contracts in operation as at 31 December 2016:

Vessel	Type	Charterer	Country	TCP	Expiry	Option
Arctic Princess	LNGC	Statoil ASA	Norway	20 years	January 2026	5 + 5 years
Arctic Lady	LNGC	Total E&P Norge AS	Norway	20 years	April 2026	5 + 5 years
Independence	FSRU	AB Klaipedos Nafta	Lithuania	10 years	December 2024	-
PGN FSRU Lampung	FSRU	PT PGN LNG Indonesia	Indonesia	20 years	July 2034	5 + 5 years
Höegh Gallant	FSRU	Egyptian Natural Gas	Egypt	5 years	May 2020	-
Höegh Grace	FSRU	Sociedad Portuaria El Cayao S.A.	Colombia	20 years	December 2036 *	-
Accounted for as investments in joint ventures						
Neptune	FSRU	GDF Suez Global LNG Supply SA	France	20 years	November 2029	5 + 5 years
GDF Suez Cape Ann	FSRU	GDF Suez Global LNG Supply SA	France	20 years	June 2030	5 + 5 years

* The initial term of the lease is 20 years. The charterer has an unconditional option to cancel the lease after 10 and 15 years. As a result, the non-cancellable lease period is for 10 years.

The increase in freight revenues from USD 198.7 million in 2015 to USD 213.8 million in 2016 is mainly explained by Höegh Gallant operating for the full year 2016 and Höegh Grace starting in December 2016.

The table below specifies the expected freight revenue hire to be received from 1 January 2017 to the end of the firm charter party for Höegh LNG's vessels, except for revenue from Neptune and GDF Suez Cape Ann, which is presented through share of results from investments in joint ventures. Expected future freight revenue includes Arctic Princess, Arctic Lady, Independence, PGN FSRU Lampung, Höegh Gallant and Höegh Grace. It does not include hire for contracts not commenced as of 31 December 2016. Further, Höegh Grace is included with the minimum lease term of 10 years.

Expected future T/C income - undiscounted	< 1 year	1 to 5 years	> 5 years	Total
TOTAL	**263 631**	**965 227**	**1 319 719**	**2 548 577**

In 2016, Höegh LNG had five customers (five customers in 2015), which individually accounted for 10% or more of total revenues. Freight revenue from these customers was USD 208.5 million (USD 188.5 million in 2015). The single largest customer in Höegh LNG represented 26% of total freight revenues (28% in 2015).

The five customers in 2016 individually contributing 10% or more of total freight revenues are:

- AB Klaipédos Nafta ("KN")
- Egyptian Natural Gas Holding Company ("EGAS")
- PT PGN LNG ("PGN LNG")
- Statoil ASA
- Total E&P Norge AS

Note 5: Management fees and other income

Höegh LNG has income from managing LNGCs and FSRUs owned by joint ventures, as well as the LNGC Matthew, owned by Suez LNG Shipping NA LLC. The management of Matthew ended during 2016.

Income from FLNG activities stem mostly from paid studies. However, in the first quarter of 2016 Höegh LNG decided to suspend all FLNG activities, which explains the decline in FLNG related income in 2016. The revenue streams below have limited margin and are largely offset by business development and project administrative expenses (reference is made to Note 10).

Management and other income	2016	2015
Engineering studies (FLNG)	140	4 750
Commercial and technical management fees	4 592	3 847
Other income	520	731
TOTAL	**5 252**	**9 328**

Note 6: Operating expenses

	2016	2015
Crew salaries	15 003	14 018
Employers' contribution	2 617	2 456
Other social costs	1 989	2 217
Crew cost under project phase	1 564	772
TOTAL CREW COST	**21 173**	**19 463**
Services	2 758	4 256
Spare parts and consumables	7 133	5 551
Insurance	3 439	3 760
Ship Management and other expenses	9 251	8 840
TOTAL	**43 754**	**41 870**

The delivery of Höegh Grace in April 2016 explains the majority of the increase in operating expenses in 2016. Costs related to training and stand-by of crew prior to commercial start-up of new projects is recorded as operating expenses.

Note 7: Salaries and personnel cost

	2016	2015
Salaries	13 643	13 501
Benefits employees	454	617
Bonus	3 151	1 445
Pension cost	730	658
Share-based payment expenses (Note 24)	2 124	2 358
Other social costs	3 208	3 315
TOTAL SALARIES AND PERSONNEL COSTS	**23 310**	**21 894**
Allocated to Group administrative expenses	10 304	8 433
Allocated to Business development expenses	4 432	4 881
Allocated to Project administrative expenses	8 574	8 581

NUMBER OF OFFICE EMPLOYEES	**107**	**102**

The majority of salary cost is denominated in NOK and other currencies than USD, and are subject to currency fluctations. The impact from currency fluctuations in 2016 has however been limited.

Norwegian employers are obliged to have an occupational pension scheme for their employees under the Norwegian Act on mandatory occupational pension. Höegh LNG is in compliance with these regulations. The contributions made to the defined contribution pension plan for full-time employees equal 5-8% of the employee's salary. Höegh LNG has no legal or constructive obligations to pay further contributions.

Höegh LNG also operates a defined contribution pension scheme involving the employees in Leif Höegh (U.K.) Limited. Höegh LNG has no outstanding or prepaid contributions in Leif Höegh (U.K.) Limited.

For other offices, Höegh LNG pays contributions to Retirement plans, according to local statutory requirements.

Expensed pension cost was USD 0.7 million in 2016 (USD 0.7 million in 2015).

Note 8: Project administrative expenses

Project administrative expenses comprise the management of the FSRU newbuilding program, the execution of projects and the administration of commercial contracts including the costs of operating local offices in Egypt, Indonesia, Lithuania, Singapore, Colombia and the UK.

	2016	2015
Total salaries and personnel costs (Note 7)	8 574	8 581
Consultants/Lawyers	5 791	6 088
Remuneration board members in subsidiaries	56	70
Office cost	749	916
Travel related cost	1 189	1 347
Other	346	349
Overhead distribution	2 727	2 739
Reclassified to operating expenses	(4 962)	(5 688)
Directly attributable cost capitalised as investments into newbuildings	(1 309)	(1 578)
TOTAL	**13 161**	**12 824**

Höegh LNG's costs related to technical services is reclassified from project administrative expenses to operating expenses.

Note 9: Group administrative expenses

Group administrative expenses are expenses associated with management-, administrative-, and general functions of Höegh LNG. The cost of general functions, such as IT and HR, is distributed to Project administrative expenses and Business development expenses based on headcount.

	2016	2015
Total salaries and personnel costs (Note 7)	10 304	8 433
Consultants/Lawyers	8 867	9 781
Remuneration board members	965	945
Office cost	1 898	1 814
Travel related cost	500	566
Other	1 482	988
Overhead distribution	(3 431)	(3 488)
TOTAL	**20 585**	**19 039**

Höegh LNG has increased the capacity of general functions to accommodate the higher activity resulting in an increase in total salaries and personnel cost from 2015 to 2016.

Note 10: Business development expenses

Business development expenses are costs related to the development of new projects.

	2016	2015
Total salaries and personnel costs (Note 7)	4 432	4 881
Consultants/Lawyers	1 878	9 409
Office cost	485	851
Travel related cost	742	1 264
Other	110	130
Overhead distribution	704	750
TOTAL	**8 351**	**17 285**

Cost per project:	**2016**	**2015**
Floating Production (FLNG)	1 202	10 328
General business development expenses	7 149	6 957
TOTAL	**8 351**	**17 285**

Business development expenses are reduced mainly due to FLNG activities put on hold.

Refer to note 5 for FLNG income.

Note 11: Investments in FSRUs, LNGCs and depot spares

FSRUs, LNGC and depot spares	**2016**	**2015**
Cost at 1 January	911 139	948 566
Acquisition cost FSRUs and dry docking	301 330	18 660
Reclassification to held for sale	-	(56 087)
COST AT 31 DECEMBER	**1 212 469**	**911 139**
Accumulated depreciation and impairment 1 January	(39 786)	(51 410)
Depreciation charge FSRUs, LNG Libra and depot spares	(32 949)	(29 600)
Reversal of impairment LNG Libra (impairment)	-	3 115
Reclassification of LNG Libra to assets held for sale	-	38 109
ACCUMULATED DEPRECIATON AND IMPAIRMENT 31 DECEMBER	**(72 735)**	**(39 786)**
NET CARRYING AMOUNT AT 31 DECEMBER	**1 139 734**	**871 353**

Höegh LNG has not identified any impairment indicators for 2016. FSRUs and LNGCs are depreciated over 35 years with the components of the net carrying amounts as at 31 December being listed below:

Net carrying amount	**2016**	**2015**
FSRUs	1 130 469	863 680
Drydocking	7 600	5 800
Depot spares	1 665	1 873
NET CARRYING AMOUNT AT 31 DECEMBER	**1 139 734**	**871 353**

The table below summarises the total depreciation cost:

Depreciation	**2016**	**2015**
Vessels	30 749	27 991
Drydocking	2 200	1 609
Equipment (Note 30)	1 868	1 117
Other	31	-
TOTAL	**34 848**	**30 717**

As of year-end 2015, LNG Libra was agreed sold to new owners and reclassified to “Asset held for sale” in the statement of financial position where the estimated net sales proceeds was presented as follows:

Asset held for sale	**2016**	**2015**
LNG Libra	-	17 978
TOTAL	**-**	**17 978**

LNG Libra was delivered to its new owners during the first quarter of 2016.

For further details of Equipment, please see Note 30.

Note 12: Investments in newbuildings

One FSRU newbuilding, Höegh Grace, was delivered from the yard in the first quarter of 2016 and commenced operations in Colombia in December 2016. Including subsequent newbuilding orders, Höegh LNG has four FSRU newbuildings under construction with a scheduled delivery early 2017, first quarter 2018, fourth quarter 2018 and second quarter 2019.

The cost break down of the carrying amounts for the investments in newbuildings at 31 December 2016 is as follows:

Net carrying amount	**2016**	**2015**
Cost 1 January	161 198	127 092
Borrowing costs	6 504	8 683
Yard instalments paid	248 966	26 915
Other capitalised cost	11 333	18 612
Newbuildings delivered during the year	(298 323)	(20 104)
NET CARRYING AMOUNT AT 31 DECEMBER	**129 678**	**161 198**

When FSRUs under construction are delivered from the yard, they are reclassified from investments in newbuildings to investments in FSRUs and depreciation commences. The estimated useful live of FSRUs in Höegh LNG’s fleet is 35 years.

Note 13: Licenses, design and other intangibles

Intangible assets net of impairments were allocated to the following segments.

Cash Generating Unit (CGU)	Segment	2016	2015
FLNG front-end engineering design	FLNG	-	-
Other		-	-
CARRYING AMOUNT AT 31 DECEMBER		**-**	**-**

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

	2016	2015
Cost at 1 January	-	37 002
Additions	-	-
Impairment	-	(37 002)
COST AT 31 DECEMBER	**-**	**-**

The impairment of intangible assets in 2015 relates solely to the FLNG segment.

Note 14: Financial risk management objectives and policies

Capital Management

The objective of Höegh LNG's capital management is to ensure that Höegh LNG is sufficiently capitalised and shareholders' return is maximised. Balancing the benefits of a strong balance sheet with the advantage of financial leverage, Höegh LNG is seeking to maintain strong access to capital markets and minimise the cost of capital. Höegh LNG has a listed Master Limited Partnership listed at the New York Stock Exchange, providing direct access to the U.S. equity capital market.

Höegh LNG started paying dividend in 2015 and has during the year 2016 distributed a dividend of USD 0.4 per share. The dividend policy of Höegh LNG is based on stability, predictability and sustainable growth in distributions.

Höegh LNG 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 Höegh LNG is reported to the top management, the Audit Committee and the Board of Directors on a regular basis. Höegh LNG's capital structure might be adjusted over time to reflect the commercial risks associated with the underlying assets, its funding situation and the status of the financial markets. In order to maintain or adjust the capital structure, Höegh LNG may refinance its debt, buy or issue new shares or debt instruments, sell assets, pay dividends or return capital to the shareholders.

Höegh LNG's capital structure consists of debt listed in Note 17 and equity attributable to the shareholders of Höegh LNG. The shares of and the bonds issued by the Company are listed on the Oslo stock exchange.

As of 31 December 2016, total equity was USD 596 million (USD 492 million). Net of mark-to-market of hedging reserves the adjusted book equity was USD 677million (USD 598 million), bringing the adjusted equity ratio to 40% (40%). The capital structure is deemed appropriate given the nature of Höegh LNG's business and its existing commitments. Höegh LNG is measuring the consolidated leverage net of hedging instruments as this to a greater extent reflects the solidity of the Group.

	2016	2015
Total equity adjusted for hedging	677 111	597 834
Total assets	1 713 461	1 502 281
EQUITY RATIO AJDUSTED FOR HEDGING	**40%**	**40%**

Financial Risk

Höegh LNG is in the ordinary course of its business exposed to different types of financial risk including market risk (interest- and currency risk), credit risk and liquidity risk. Höegh LNG 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. Höegh LNG's primary strategy in mitigating financial market risks is to apply derivatives in hedging Höegh LNG's various net financial market risk 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, capitalised assets and liabilities denominated in currencies other than the reporting currency. The majority of Höegh LNG's business transactions, capitalised assets and liabilities are denominated in USD.

Höegh LNG has certain revenues in Euro (EUR), Egyptian pounds (EGP) and Indonesian Rupees (IDR). Revenues payable in EGP are converted from USD at the applicable exchange rate, however, due to restrictions on exchanging EGP to USD, Höegh LNG has an implied currency risk on cash held in EGP. Revenue denominated in local currency is intended to cover expenses denominated in local currency. The Group incurs operating, administrative and tax expenses in various currencies including EUR, GBP, EGP, IDR and NOK. Administrative expenses totalled approximately 250 million denominated in NOK.

The NOK 750 million corporate bonds issued in 2012 have been swapped into USD and do not represent any currency risk. As of 31 December 2016, Höegh LNG held 95% of total current cash in USD, 4% in NOK and the remaining mainly in EUR and GBP. The USD 4.4 million equivalents of EGP have been classified as restricted cash and are excluded from the above figures (reference is made to Note 15 for further information).

All interest-bearing debt within Höegh LNG is subject to floating interest rates. However, Höegh LNG has entered into fixed interest rate swaps for all material debt facilities and is therefore only to a limited extent exposed to fluctuations in interest rate levels on existing debt facilities. The interest rate on the Methane Ventures Limited facility has not been swapped.

Interest rates relating to project financing have been swapped into fixed interest for the length of the debt facility or the underlying commercial contract. Interest rates relating to most corporate financings have been swapped into fixed interest rate for the length of the relevant facility. As of 31 December 2016, the net mark-to-market valuation of the interest rate and currency swaps entered into was negative USD 48.5 million of which USD 5.2 million related to the interest rate and USD 43.3 million to the currency swaps related to the HLNG01 bond. In addition, net marked-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 72.9 million.

MtMs of hedge instruments in the Financial Position	31 December 2016	31 December 2015
MtM presented as financial assets	8 485	2 800
MtM presented as financial liabilites	(56 967)	(67 687)
Total MtMs in joint ventures	(72 942)	(84 141)
NET MtMs OF CASH FLOW AND FAIR VALUE HEDGES	**(121 424)**	**(149 028)**

The effective part of changes in the fair values of interest rate swaps and the interest element of cross currency interest rate swaps (CCIRS) are recognised as other comprehensive income (OCI). Changes in the value related to the ineffective portion of these swaps are recorded over the income statement. Changes in actuarial gains or losses on defined benefit plans are also recorded over OCI.

An increase in the floating interest rate of 20 basis points (0.2%) would impact the OCI positively by USD 12 million through the mark-to-market valuation of interest rate swaps and the CCIRS entered into including Höegh LNG's shares of interest rate swaps in joint venture companies.

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. The table below illustrates the maturity profile of Höegh LNG's interest-bearing debt and the timing and size of estimated interest payments:

Maturity profile to interest-bearing debt at 31 December 2016:	< 1 year	1-4 years	> 5 years	Total
Instalments on mortage debt and unsecured bond	149 295	624 531	181 743	955 570
Estimated interest on mortage debt and unsecured bond	43 872	85 315	22 613	151 800
TOTAL	**193 167**	**709 846**	**204 356**	**1 107 370**

Interest on Höegh LNG's debt, based on the swapped fixed interest rates and maturity profile of IRSs in subsidiaries and joint ventures, is presented below:

Maturity profile to financial derivatives at 31 December 2016:	< 1 year	1-4 years	> 5 years	Total
Interest rate swaps designated as effecting hedging instruments in subsidiaries	50 894	(584)	(1 828)	48 482
Interest rate swaps designated as effecting hedging instruments in the Group's joint ventures	10 215	33 990	28 737	72 942
TOTAL	**61 109**	**33 406**	**26 909**	**121 424**

The fair value of existing financial obligations totalling approximately USD 980.8 million will be repaid through the cash flow generated from existing assets within Höegh LNG and refinancing. The table further below sets out the fair value of existing financial obligations.

Financial obligations relating to the unsecured bonds are subject to re-financing in 2017 and 2020, respectively. The financing of Höegh Gallant, Höegh Grace, GDF Suez Cape Ann and Neptune are subject to refinancing in 2019, 2020, 2021 and 2022, respectively. The commercial tranche relating to the financing of Independence and PGN FSRU Lampung is subject to refinancing in 2019 and 2021, respectively, while the ECA tranche of the respective financing is subject to refinancing in 2026. If no re-financing of the commercial tranches takes place, lenders under the ECA tranche may require early re-payment. Financial obligations relating to the Arctic vessels are not subject to any refinancing and will be fully amortised during the length of the underlying lease agreements. All existing vessels subject to debt financing are on long-term charter contracts with creditworthy counter parties. HLNG01 was refinanced during the first quarter of 2017 (refer to subsequent events note 33).

As of 31 December 2016 and including the shipbuilding contracts signed and announced as subsequent events in January 2017, Höegh LNG had approximately USD 1.0 billion in remaining off-balance sheet capital commitments relating to the FSRU newbuilding programme. This includes yard payments and estimated supervision and finance costs as well as contingencies. Remaining capital commitments compares to USD 322 million in cash and marketable securities and USD 194 million available drawing under a USD 223 million debt facility as of 31 December 2016. When certain conditions relating to the employment of FSRU#7 are met, available drawing under the debt facilities increases to USD 223 million, taking total liquidity up to USD 545 million. Höegh LNG is planning to secure financing before delivery also for FSRUs #8, #9 and #10. Reference is made to Note 33 Subsequent events for more information on the latter debt facilities.

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 procedures are in place to minimise this risk. FSRUs and LNGCs are only chartered out to creditworthy counterparties and charter hires are normally payable on a monthly basis.

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 what can be earned for cash at 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 unless it serves as a natural hedge to other currency exposure. Höegh LNG has not provided any guarantees for third parties' liabilities (reference is made to Note 20), and the maximum exposure to credit risk is thus represented by the carrying amount of each financial asset at the balance sheet, including financial derivatives. The maturity profiles of outstanding trade receivables and trade payables as at 31 December 2016 and 2015 are all in the range of 30-60 days. The marketable securities amounting to USD 135.7 million as at 31 December 2016 are available as cash within 1-3 working days. Above information is also to be considered to be Höegh LNG's maximum credit risk as of 31 December 2016 and 2015.

Fair values

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

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial instruments at fair value through profit or loss				
Marketable securities	135 751	231 094	135 751	231 094
Derivatives in cash flow hedges	8 485	2 800	8 485	2 800
Total financial instruments at fair value	**144 236**	**233 894**	**144 236**	**233 894**
Loans and receivables at amortised cost				
Trade and other receivables	40 539	33 307	40 539	33 307
Shareholder loans	7 218	13 991	7 218	13 991
Other non-current receivables	13 638	10 065	13 638	10 065
Total loans and receivables	**61 395**	**57 363**	**61 395**	**57 363**
Non-current restricted cash	18 580	19 648	18 580	19 648
Cash and cash equivalents (including short-term restricted cash)	196 620	113 165	196 620	113 165
TOTAL	**420 831**	**424 070**	**420 831**	**424 070**
TOTAL CURRENT	**379 185**	**384 696**	**379 185**	**384 696**
TOTAL NON-CURRENT	**41 646**	**39 374**	**41 646**	**39 374**

	Carrying amount 2016	Carrying amount 2015	Fair value 2016	Fair value 2015
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	55 563	65 767	55 563	65 767
Ineffective portion of cash flow hedges	1 404	1 920	1 404	1 920
Total financial liabilities at fair value	**56 967**	**67 687**	**56 967**	**67 687**
Other financial liabilities at amortised cost				
Trade and other payables	19 023	18 706	19 023	18 706
Other financial liabilities	11 254	14 651	11 254	14 651
Interest-bearing loans and borrowings	955 571	810 965	980 789	842 803
Total other financial liabilities at amortised cost	**985 848**	**844 322**	**1 011 066**	**876 160**
TOTAL	**1 042 815**	**912 009**	**1 068 033**	**943 847**
TOTAL CURRENT	**220 715**	**86 467**	**220 715**	**105 049**
TOTAL NON-CURRENT	**822 100**	**801 639**	**847 318**	**838 798**

The fair value of the financial assets and liabilities is 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 recognised 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.
- Both bonds issued by the Company (NOK 750 million bond HLNG01 issued 3 October 2012 and USD 130 million bond HLNG02 issued 5 June 2015) are listed on the Oslo stock exchange, and the fair values of these are disclosed based on traded information. As of 31 December 2016, the fair values were 103.06% and 100.19% for HLNG01 and HLNG02, respectively.
- Höegh LNG enters into derivative financial instruments such as interest rate swaps and foreign exchange forward contracts with various financial institutions, where the fair value of such instruments is based on valuation techniques including market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using net present value calculations. The models used incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The valuation is performed by banks or external valuation providers.

Fair value hierarchy
Höegh LNG uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

The table below presents fair value measurements of Höegh LNG's assets and liabilities as of 31 December 2016:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Marketable securities		135 751		135 751
Derivatives used for hedging		8 485		8 485
TOTAL ASSETS	**-**	**144 236**	**-**	**144 236**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	213 460			213 460
Mortgage debt		767 329		767 329
Derivatives used for hedging				-
Derivatives in effective cash flow hedges		56 967		56 967
TOTAL LIABILITIES	**213 460**	**824 296**		**1 037 756**

The table below presents fair value measurements of Höegh LNG's assets and liabilities at 31 December 2015:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Marketable securities		231 094		231 094
Derivatives used for hedging		2 800		2 800
TOTAL ASSETS	**-**	**233 894**	**-**	**233 894**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	206 407			206 407
Mortgage debt		636 396		636 396
Derivatives used for hedging				-
Derivatives in effective cash flow hedges		67 687		67 687
TOTAL LIABILITIES	**206 407**	**704 083**		**910 490**

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant input required in calculating the fair value of an instrument is based on observable market data, the instrument is included in level 2. This includes the portfolio of marketable securities, as part of the portfolio's instruments is not directly observable.

However, if one or more significant input is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2016 and 2015, there were no transfers between any of the levels.

Note 15: Unrestricted and restricted cash

Current cash and cash equivalents Currency	Exchange rate	2016	Exchange rate	2015
US Dollar (USD)	1	176 164	1	89 607
Norwegian Kroner (NOK)	8.62	7 728	8.81	4 892
Pound Sterling (GBP)	0.81	347	1.48	567
Euro (EUR)	1.05	1 041	1.09	1 781
Egyptian Pounds (EGP)	18.41	111	7.82	403
Colombian Pesos (COP)	3 000.71	206	3 149.47	-
Other		749		373
TOTAL		**186 346**		**97 623**

Current restricted cash	2016	2015
Methane Ventures Limited - Debt service	2 200	1 800
Hoegh LNG Colombia S.A.S - Payroll related	19	-
Höegh LNG Ltd. - Escrow	-	3 113
Hoegh LNG Cyprus Limited Egypt Branch - Customs escrow	-	85
PT Hoegh LNG Lampung - Debt service	8 055	10 544
TOTAL	**10 274**	**15 542**

As of 31 December 2016, USD 10.3 million is classified as short-term restricted cash related to a financing agreement, where cash is required to be held for specifically designated uses, including payment of working capital, operations and maintenance related expenses. Distributions from the cash accounts is subject to "waterfall" provisions that allocate revenues to specific priorities of use in a defined order before equity distributions can be made at certain dates and subject to Höegh LNG being in compliance with other debt service requirements.

Höegh LNG had USD 2.2 million in an escrow account as of 31 December 2016 due to a covenant under the credit facility for Methane Ventures Limited.

Höegh LNG Ltd. held part of the sales proceeds from the sale of LNG Libra in escrow account as of 31 December 2015. The amount was released upon completion of the sale in March 2016.

Non-current restricted cash	2016	2015
PT Hoegh LNG Lampung - Debt service	14 154	14 798
Hoegh LNG Cyprus Limited Egypt Branch - Customs	-	400
Höegh LNG Ltd. - EGP restricted cash	815	-
Höegh LNG Egypt LLC - EGP restricted cash	3 611	4 450
TOTAL	**18 580**	**19 648**

Non-current restricted cash deposits totalled USD 14.1 million as of 31 December 2016 relating to a project financing agreement requiring Höegh LNG to hold an amount equal to six months debt service deposited in an escrow account. Due to restrictions on foreign exchange in Egypt, cash denominated in EGP in excess of estimated working capital needs, equivalent to USD 3.6 million, are classified as non-current restricted cash as of 31 December 2016. See further information in Note 19.

Note 16: Marketable securities

Financial instruments within Höegh LNG's portfolio of marketable securities 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 AS. See Note 32 for transactions with related parties.

Balance at year-end	2016	2015
Marketable securities	135 751	231 094
TOTAL	**135 751**	**231 094**

Reconciliation, balance of marketable securities at year-end	2016	2015
Market value of securities at 1 January	231 094	117 317
Change in fair value and gain/loss on realisation	5 697	366
Transfer of funds to portfolio	229	184 603
Withdrawal of funds from portfolio	(101 269)	(71 192)
MARKET VALUE OF MARKETABLE SECURITIES AT 31 DECEMBER	**135 751**	**231 094**

Profit and loss effect	2016	2015
Unrealised gain/(loss) on bonds in portfolio	19 351	(8 756)
Interest income	4 255	3 723
Profit/(loss) from currency contracts and deposits	(17 591)	5 635
Administration costs portfolio	(318)	(236)
TOTAL	**5 697**	**366**

Composition of portfolio	2016	2015
Norwegian listed bonds	129 280	222 706
Non-Norwegian listed bonds	-	-
Currency forwards	5 872	7 551
Cash holding	599	837
MARKETABLE SECURITIES AT FAIR VALUE 31 DECEMBER	**135 751**	**231 094**

Further information relating to marketable securities is disclosed in Note 14. The fair value increase of USD 5.7 million (USD 0.4 million in 2015) in the portfolio of marketable securities is recorded as other financial income.

Note 17: Total interest-bearing debt

The tables below present Höegh LNG's carrying amount of interest-bearing debt by non-current and current portions for the years ended 31 December 2016 and 2015, respectively:

Interest-bearing debt at 31 December 2016	Non-current	Current	Total
FSRU Independence facility	190 573	15 248	205 821
Bond debt in HLNG	130 000	80 742	210 742
Höegh Gallant facility	153 743	13 146	166 889
Höegh Grace facility	176 813	13 250	190 063
PGN FSRU Lampung facility	155 147	19 062	174 209
Methane Ventures Limited facility	-	7 847	7 847
Debt issuance cost	(19 709)	-	(19 709)
TOTAL	**786 567**	**149 295**	**935 862**

Interest-bearing debt at 31 December 2015	Non-current	Current	Total
FSRU Independence facility	205 821	15 248	221 069
Bond debt in HLNG	209 010	-	209 010
Höegh Gallant and FSRU#6/HN2551/ Höegh Grace facility	166 889	13 146	180 035
PGN FSRU Lampung facility	174 209	19 062	193 271
Methane Ventures Limited Facility	-	7 580	7 580
Debt issuance cost	(23 903)	-	(23 903)
TOTAL	**732 026**	**55 036**	**787 062**

The table below presents the maturity and currency of Höegh LNGs interest-bearing debt;

Maturity	Currency	Due in year 1	Due in year 2	Due in year 3	Due in year 4	Due in year 5 and later	Total
FSRU Independence facility *	USD	15 248	15 248	76 293	15 248	83 783	205 821
Höegh Grace facility	USD	13 250	13 250	13 250	150 313	-	190 063
Methane Ventures Limited	USD	7 847	-	-	-	-	7 847
Höegh Gallant facility	USD	13 146	13 146	140 597	-	-	166 889
PGN FSRU Lampung facility	USD	19 062	19 062	19 062	19 062	97 960	174 209
Bond HLNG01 **	NOK	80 742	-	-	-	-	80 742
Bond HLNG02	USD	-	-	-	130 000	-	130 000
INTEREST-BEARING DEBT OUTSTANDING		**149 295**	**60 706**	**249 202**	**314 623**	**181 743**	**955 570**
Debt issuance cost							(19 707)
TOTAL INTEREST-BEARING DEBT							**935 862**

* Independence is financed by a commercial tranche of USD 61 million that needs to be refinanced by 2019. Should Höegh LNG not refinance this tranche the full outstanding amount of the Norwegian Export Credit Guarantee Agency ("ECA") tranche, USD 106 million, will fall due in 2019. The above table assumes the ECA tranche will continue to amortise.

** HLNG01 matures in 2017 and has been swapped into USD 130 million. The negative value of the swap is presented under other financial liabilities short-term. As of 31 December 2016, Höegh LNG holds own HLNG01 bonds totalling NOK 54 million.

Interest-bearing debt in the consolidated entities

FSRU Independence facility

On 28 November 2012, Höegh LNG entered into a USD 250 million senior secured credit facility for the financing of the FSRU Independence, which was delivered from the yard on 11 May 2014. The facility is guaranteed 50% by the Korean credit agency, K-sure, and 25% by the Norwegian credit agency, GIEK (combined referred to as "the ECA covered part"). The ECA covered part of the facility has a twelve year post-delivery while the uncovered part has a seven year post-delivery tenor. If the uncovered part is not refinanced at maturity, the ECA covered part falls due for repayment at the same time. The facility has a blended repayment profile of 16 years. Repayments started on 12 August 2014 and are due quarterly. The facility has a floating interest rate equal to 3 months USD LIBOR plus a margin. LIBOR has been swapped into a fixed interest rate, and the credit facility has a fixed interest rate of 5.1% for the length of the underlying financing. As of 31 December 2016, the outstanding balance was USD 205.8 million.

PGN FSRU Lampung facility

On 13 September 2013, PT Hoegh LNG Lampung entered into a USD 299 million senior secured term loan facility for the financing of PGN FSRU Lampung, including mooring.

The facility comprised two tranches; one FSRU tranche in the amount of USD 237 million and one mooring tranche in the amount of USD 62 million. The mooring tranche was fully repaid in July 2014 upon delivery of the mooring to the customer, PT PGN LNG Indonesia. The FSRU tranche is 75% guaranteed by the Korean credit agency K-sure (referred to as "the ECA covered part"). The ECA covered part of the facility has a twelve year post-delivery tenor while the uncovered part has a seven year post-delivery tenor. If the uncovered part is not refinanced at maturity, the ECA covered part falls due for repayment at the same time. The facility has a blended repayment profile of 12.5 years. Repayments on a quarterly basis started on 29 December 2014. The facility has a floating interest rate equal to LIBOR plus a margin. The 3 months USD LIBOR under the FSRU tranche has been swapped into a fixed interest rate and the facility bears a fixed interest rate of 5.88% for the length of the financing. As of 31 December 2016, the outstanding balance was USD 174.2 million.

Höegh Gallant and Höegh Grace facility

On 11 April 2014, Höegh LNG entered into a joint USD 412 million senior secured credit facility for the financing of Höegh Gallant and Höegh Grace, delivered in 2014 and 2016, respectively. The facilities have a five year post-delivery tenor and a 15 years repayment profile. Repayments started on 1 December 2014 for Höegh Gallant and 30 June 2016 for Höegh Grace. The facilities have floating interest rate equal to 3 months USD LIBOR plus a margin, where LIBOR has been swapped into a fixed interest. The Höegh Gallant tranche under the facilities bears a fixed interest rate of 4.78% while the Höegh Grace tranche bears a fixed interest rate of 5.26%, both for the length until maturity under each tranche respectively. As of 31 December 2016, the outstanding balance on the Höegh Gallant and Höegh Grace tranche was USD 166.9 million and USD 190.0 million, respectively.

Methane Ventures Limited facility

Methane Ventures Limited, a subsidiary of the Company, has since 2006 had a credit facility in place for the purpose of funding investments in the Company. As of 31 December 2016, the amount outstanding under the facility was USD 7.8 million. The loan carries an interest equal to 3 months USD LIBOR plus a margin and maturity has been extended to 31 July 2017.

Bond issue - NOK 750 million Senior Unsecured Callable Bond

On 3 October 2012, the Company issued a senior unsecured bond of NOK 750 million in the Norwegian bond market with maturity date 3 October 2017. As of 31 December 2016, NOK 696 million was outstanding. Proceeds were used for general corporate purposes. The bonds are listed on the Oslo stock exchange and bears interest at 3 months NIBOR plus a margin of 6% payable quarterly. Höegh LNG has entered into a cross currency interest rate swap from NOK to USD and from floating to fixed interest rate totalling 7.3%. The carrying amount of the bonds was USD 80.7 million at 31 December 2016. Unrealised foreign exchange gain due to the strengthening of the USD against NOK amounts to USD 40.1 million. This is however offset by equivalent loss on the currency swap.

Bond issue – USD 130 million Senior Unsecured Callable Bond
On 3 June 2015, the Company issued a senior unsecured bond of USD 130 million in the Norwegian bond market with maturity date 5 June 2020. Proceeds were used for general corporate purposes. As of 31 December 2016, USD 130 million was outstanding. The bonds are listed on the Oslo Stock Exchange and bears interest at 3 months USD LIBOR plus a margin of 5% payable quarterly. Floating interest has been swapped into a fixed interest resulting in a fixed interest of 6.6%.

Interest-bearing debt in joint venture companies

Neptune and GDF Suez Cape Ann facility
On 20 December 2007, the joint ventures owning Neptune and GDF Suez Cape Ann each entered into a USD 300 million secured credit facility for the financing of the FSRUs. As of 31 December 2016, Höegh LNG's 50% share of the outstanding amount under the facilities totalled USD 239.6 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 3 months USD LIBOR plus a margin. The USD LIBOR has been swapped into a fixed interest rate for the length of the underlying commercial contracts, resulting in a fixed interest rate of approximately 6.0%.

Lease liabilities
Arctic Princess and Arctic Lady are financed under 25 year UK finance leases. Höegh LNG's obligations related to the leases have been included as debt in the balance sheets of the respective joint venture companies. As per 31 December 2016, the total debt related to these lease facilities amounted to USD 121.1 million for Höegh LNG on a proportionate basis.

Debt and lease restrictions

Existing credit facilities impose restrictions, which may limit or prohibit Höegh LNG's ability to incur indebtedness, create liens, sell shares in subsidiaries, pay dividends, engage in mergers and acquisitions, or purchase and sell vessels without the consent of the 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 default, including a failure to comply with any of the covenants contained in the financing agreements. With regard to such covenants, Höegh LNG has to maintain a minimum equity (adjusted for mark-to-market of hedging reserves) of USD 200 million, a minimum equity ratio (adjusted for mark-to-market of hedging reserves) of 25%, and a minimum free cash position being the higher of USD 40 million and 5% of funded indebtedness. The MLP has to maintain a minimum equity (adjusted for mark-to-market of hedging reserves) of USD 150 million, a minimum equity ratio (adjusted for mark-to-market of hedging reserves) of 25%, and a minimum free cash position being the higher of USD 15 million or USD 3 million per vessel. Most credit facilities include project covenants which require positive working capital and minimum debt service coverage ratios.

Furthermore, certain debt agreements contain a change of control provision being triggered should the Høegh family by way of a sale of shares cease to own (directly or indirectly) at least 1/3 of the shares, or by way of dilution below 1/3 of the shares, thus no longer being the largest shareholder of the Company.

Höegh LNG was in compliance with its covenants for the year ended 31 December 2016.

Note 18: Interest expenses

	2016	2015
Interest on mortgage debt	41 722	35 645
Interest on bond	13 182	8 024
Other	276	321
TOTAL	**55 180**	**43 990**

Interest on bonds of USD 6.5 million was in 2016 capitalised as part of delivered cost of FSRUs under construction (USD 7.7 million in 2015).

Refer to Note 17 for further disclosures of Höegh LNG's debt.

Note 19: Expenses from other financial items

	2016	2015
Currency loss	6 251	4 882
Loss on hedges - ineffectiveness	-	572
Withholding taxes	2 772	2 597
Other financial expenses	767	1 267
TOTAL	**9 790**	**9 318**

The currency loss in 2016 relates mainly to Egyptian Pounds while it in 2015 mainly relates to the exchange of proceeds from an equity issue.

Note 20: Commitments and guarantees

FSRU newbuilding programme

Remaining capital commitments relating to the FSRU newbuilding program, including newbuilding orders placed in subsequent events in January 2017, is approximately USD 1.0 billion. This includes yard payments, project expenses, finance costs and contingencies. Some USD 0.4 billion of this is payable by December 2017.

The Company has issued performance guarantees to HHI guaranteeing Höegh LNG Ltd.'s obligations under the shipbuilding contract for HN 2865 in the maximum amount of USD 80.7 million and HN 2909 in the maximum amount of USD 73.9 million.

HN 2552

A USD 223 million senior secured credit facility agreement for the financing of HN 2552 was entered into in March 2016 by the Company as borrower. The Company will be replaced by a special purpose entity borrower on delivery of the FSRU and the Company will become a guarantor. Customary security package will be entered into upon delivery of the FSRU from the yard.

Höegh Grace

A USD 412 million senior secured credit facility agreement for the financing of Höegh Grace and Höegh Gallant (see further below) was entered into in 2014. The facility is guaranteed by the Company, Höegh LNG Ltd. and HMLP whereby the guarantee provided by HMLP only relates to aforementioned FSRUs upon sale of such FSRUs to HMLP.

In relation to Höegh Grace, the following securities have been established: A mortgage over the FSRU, account security deeds, shares security deeds (in respect of the shares of the borrowers), management agreement assignment, pre-delivery security assignments and swap contract assignment.

The Company has guaranteed the obligations of its subsidiaries under the agreements entered into with the charterer (SPEC).

Höegh Gallant

On 1 October 2015, the holding company of the FSRU Höegh Gallant was sold to the MLP. Höegh LNG Egypt LLC, being party to the TCP with EGAS, continues to be owned by Höegh LNG outside the MLP. Following the transfer, the Company has provided a parent company guarantee in favour of EGAS: as security for the obligations of Höegh LNG Egypt LCC under the charter with EGAS. Furthermore, the Central International Bank (CIB) has issued a letter of credit in the amount of USD 3 million on behalf of Höegh LNG Egypt LCC in favour of EGAS, which has been guaranteed by the company.

The guarantee issued by the Company in relation to the USD 412 million senior secured credit facility agreement (see above) and the security granted by the subsidiaries of Höegh LNG in relation to the USD 412 million senior secured credit facilities agreement, are covering also the Höegh Gallant facility.

The Company has guaranteed the payment of hire by Höegh LNG Egypt LLC to HMLP, to the extent the established bank guarantee is exhausted. Further, the Company has granted HMLP an option to lease the vessel back to Höegh LNG Ltd. for 5 years at a rate equal to 90% of the rate payable pursuant to the current charter rate, plus any incremental taxes or operating expenses as a result of such charter. The option must be exercised before expiry of the charter with EGAS.

Independence

In November 2012, Höegh LNG Ltd. (as borrower) entered into a USD 250 million facility agreement fully guaranteed by the Company. In addition, the facility is guaranteed by Höegh LNG Klaipeda UAB and Hoegh LNG Klaipeda Pte. Ltd., both being subsidiaries of Höegh LNG. The following securities have been granted to the financiers: (i) mortgage with collateral deed of covenants over the FSRU (ii) assignment of all project agreements, guarantees and swap agreements; (iii) pledge of all project accounts; and (iv) pledge over the shares in the project companies Höegh LNG Klaipeda UAB and Hoegh LNG Klaipeda Pte. Ltd.

Höegh LNG Ltd. has guaranteed the obligations of Höegh LNG Klaipeda UAB under the charter with the customer, Klaipedos Nafta.

PGN FSRU Lampung

The PGN project was sold to the MLP in August 2014. However the Company has continued to be responsible under certain guarantees in relation to the USD 299 million facility agreement for the financing of PGN FSRU Lampung with Hoegh LNG Lampung Pte. Ltd. as borrower being: (i) the balloon repayment instalment plus any accrued interest thereon; and (ii) 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 Lease Operating and Maintenance agreement is terminated due to an event of vessel force majeure and in addition an agreement with the charterer for the acquisition of 50% of the FSRU has not been reached within a certain period of time.

The Company has guaranteed the obligations of PT Höegh LNG Lampung under the Lease, Operation and Maintenance Agreement with the customer, PGN LNG.

Neptune FSRUs

Höegh LNG's shares in SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. (together the "SRV JG Companies") were in August 2014 transferred to the MLP. The SRV JG Companies are accounted for according to the equity method, see Note 21. Under the loan agreements for the financing of Neptune and GDF Suez Cape Ann (the "Neptune FSRUs"), the Company remains the guarantor for 50% of any of dry docking costs and remarketing efforts in case of an early termination of each of the TCPs for the Neptune FSRUs entered into by the respective SRV JG Companies.

The Company also continues as guarantor under a performance and payment guarantee for the SRV JG Companies' obligations under the respective TCPs, pro-rata for each shareholder (i.e. 50%).

Arctic Vessels

The two LNGCs, Arctic Princess and Arctic Lady, are leased from the joint venture companies Joint Gas Ltd. and Joint Gas Two Ltd. (collectively referred to as "JVs") in which Höegh LNG has a 33.98% and 50% ownership, respectively (see Note 21). The LNGCs are further bareboat chartered to Leif Höegh (U.K.) Limited, a wholly-owned subsidiary of Höegh LNG Ltd. As of year-end 2016, Leif Höegh (U.K.) Limited has remaining charter commitments for the two LNGCs of USD 327 million, as specified in the table below. The Arctic Lady lessor has completed its contractual right to perform a credit/security review as per 12 April 2016 (10 years after delivery) and requested additional security, which is disputed by the lessee. The parties have agreed to refer the dispute to Expert Determination pursuant to an Agreement for Expert Determination dated 3 January 2017.

The below table shows amounts based on full hire. The remaining hire payable adjusted for Höegh LNG's ownership in the JVs, is USD 186 million (USD 209 million in 2015).

Specification of bareboat hire to be paid on a 100% basis (in million USD)	2016	2015
Within one year	35	35
Between one and five years	141	141
More than five years	151	186
TOTAL	**327**	**362**

Pursuant to the lease agreements, the JVs, 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 (HMRC), additional information has been provided in relation to the UK lessors' claims for capital allowances. HMRC has not taken this any further pending the outcome of another case being tested in UK courts, where a final judgement, was issued in favour of HMRC on 14 August 2015. The lessees have recently been approached by HMRC to discuss similarities between the cases and to what extent the judgement can be applied to the two Arctic vessels. No notice as to disallowing the allowances has been given to date.

Höegh LNG Ltd. has guaranteed pro-rata according to its shareholding severally with the JV partners for payment obligations under the lease agreements entered into by the JVs, respectively (lease agreements, time charter agreements and interest rate swap agreements). The said guarantees are counter-guaranteed by the Company. In addition, the shares in the JVs have been pledged in favour of the lessors and all rights to the derivative assets in the JVs 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 leases and a pro-rata Quiet Enjoyment Guarantee in favour of the time charterer for the JVs performance under a Quiet Enjoyment Letter entered into with the lessor and the time charterer.

Höegh LNG Partners LP – indemnifications

In connection with the sale of assets to the MLP, the Company has agreed to indemnify HMLP against certain losses for the periods prior to the closing date related to the title of the transferred assets and the vessels, the commercial and financial agreements and vessel operation, the latter being i.a. against certain environmental and toxic tort liabilities (claims must be submitted within five years following the closing date and for the HMLP IPO fleet it is an aggregate cap of USD 5 million). In addition, the Company has agreed to indemnify HMLP against all federal, state, foreign and local income tax liabilities attributable to the operation of the contributed assets prior to the respective closing date. Lastly, the Company agreed to indemnify HMLP against specific losses related to the PGN Project also after the closing date as the project was transferred to the MLP before commencing operation under its commercial agreement (charter). The Company paid a total of USD 3.8 million to HMLP in 2016 (USD 6.6 million in 2015) under the said indemnities with USD 1.6 million attributable to Non Controlling Interest (USD 2.8 million in 2015).

See also above regarding Höegh Grace, Höegh Gallant and PGN FSRU Lampung.

Office lease

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

Note 21: Investments in joint ventures and subsidiaries

Höegh LNG had ownership in four joint ventures during 2016, all accounted for according to the equity method. The change in carrying value during the year is as follows:

	2016	2015
At 1 January	(73 502)	(95 012)
Share of Profit	13 773	11 359
Other comprehensive income	11 199	11 728
Dividend distribution	-	(1 577)
Other changes	-	-
AT 31 DECEMBER	(48 530)	(73 502)

The negative balances to the investments in the Group's joint ventures are mainly explained by the negative mark-to-market valuations of interest derivatives in these entities.

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by Höegh LNG.

Table: List of joint ventures whereof the Company has ownership:

Name of entity	Registered office	Country	Principal activity	Ownership in % 2016	2015
Joint Gas Ltd.	Georgetown	Cayman Island	Shipowning	34	34
Joint Gas Two Ltd.	Georgetown	Cayman Island	Shipowning	50	50
SRV Joint Gas Ltd.	Georgetown	Cayman Island	Shipowning	50	50
SRV Joint Gas Two Ltd.	Georgetown	Cayman Island	Shipowning	50	50

Joint Gas Ltd. is leasing the Arctic Princess under a 25 years financial lease agreement.

Joint Gas Two Ltd. is leasing the Arctic Lady under a 25 years financial lease agreement – reference is made to Note 20 for further information.

SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. own and operate the FSRUs, Neptune and GDF Suez Cape Ann, respectively, both leased to GDF Suez Global LNG Supply SA.

All four companies are privately owned and there is no quoted market price available for the shares.

Set out below is the summarised financial information for Höegh LNG's joint venture investments, accounted for using the equity method.

Summarised balance sheet

	Joint Gas Ltd. As at 31 December		Joint Gas Two Ltd. As at 31 December		SRV Joint Gas Ltd. As at 31 December	
	2016	2015	2016	2015	2016	2015
Assets						
Cash and cash equivalents	9 315	5 503	9 730	5 715	4 884	1 641
Other current assets	3	-	3	-	8 329	4 894
TOTAL CURRENT ASSETS	9 318	5 503	9 733	5 715	13 213	6 535
Vessel	129 412	135 496	130 404	136 462	290 235	300 756
Other non-current assets	-	-	-	-	12 265	12 264
TOTAL NON-CURRENT ASSETS	129 412	135 496	130 404	136 462	302 500	313 020
TOTAL ASSETS	138 730	140 999	140 137	142 177	315 713	319 555
Liabilities						
Current liabilities	12 502	12 762	11 933	12 286	38 612	34 210
Long-term interest-bearing debt	137 472	144 208	137 617	144 285	225 068	242 771
Other non-current liabilities	31 905	36 390	24 235	28 414	69 841	75 138
TOTAL NON-CURRENT LIABILITIES	169 377	180 598	161 852	172 699	294 909	317 909
TOTAL LIABILITIES	181 879	193 360	173 785	184 985	333 521	352 119
Net assets	(43 149)	(52 361)	(33 648)	(42 808)	(17 808)	(32 564)

Summarised balance sheet, continued

	SRV Joint Gas Two Ltd. As at 31 December		Total As at 31 December	
	2016	2015	2016	2015
Assets				
Cash and cash equivalents	4 621	2 557	28 550	15 416
Other current assets	4 623	4 407	12 958	9 301
TOTAL CURRENT ASSETS	9 244	6 964	41 508	24 717
Vessel	270 864	281 735	820 915	854 449
Other non-current assets	12 841	12 840	25 106	25 104
TOTAL NON-CURRENT ASSETS	283 705	294 575	846 021	879 553
TOTAL ASSETS	292 949	301 539	887 529	904 270
Liabilities				
Current liabilities	32 036	32 596	95 083	91 854
Long-term interest-bearing debt	231 691	249 026	731 848	780 290
Other non-current liabilities	52 621	57 397	178 602	197 339
TOTAL NON-CURRENT LIABILITIES	284 312	306 423	910 450	977 629
TOTAL LIABILITIES	316 348	339 019	1 005 533	1 069 483
Net assets	(23 399)	(37 480)	(118 004)	(165 213)

Summarised statement of comprehensive income

	Joint Gas Ltd. As at 31 December		Joint Gas Two Ltd. As at 31 December		SRV Joint Gas Ltd. As at 31 December	
	2016	2015	2016	2015	2016	2015
Revenue	17 850	17 828	17 509	17 474	45 508	42 215
Depreciation	(6 085)	(6 085)	(6 058)	(6 058)	(12 357)	(11 752)
Interest income	-	-	-	-	2	2
Interest expenses	(7 498)	(8 014)	(6 657)	(7 066)	(14 906)	(15 921)
PROFIT BEFORE TAX	**4 183**	**3 605**	**4 363**	**4 191**	**7 795**	**5 601**
Tax	-	-	-	-	-	-
PROFIT FOR THE YEAR	**4 183**	**3 605**	**4 363**	**4 191**	**7 795**	**5 601**
Other comprehensive income	5 028	3 034	4 798	2 901	6 961	9 099
COMPREHENSIVE INCOME	**9 211**	**6 639**	**9 161**	**7 092**	**14 756**	**14 700**

Summarised statement of comprehensive income, continued

	SRV Joint Gas Two Ltd. As at 31 December		Total As at 31 December	
	2016	2015	2016	2015
Revenue	40 748	42 893	121 615	120 410
Depreciation	(10 870)	(10 870)	(35 370)	(34 765)
Interest income	-	-	2	2
Interest expenses	(15 224)	(16 241)	(44 285)	(47 242)
PROFIT BEFORE TAX	**6 859**	**5 762**	**23 200**	**19 159**
Tax	-	-	-	-
PROFIT FOR THE YEAR	**6 859**	**5 762**	**23 200**	**19 159**
Other comprehensive income	7 222	9 393	24 009	24 427
COMPREHENSIVE INCOME	**14 081**	**15 155**	**47 209**	**43 586**

The information above reflects the amounts presented in the financial statements of the joint ventures and not Höegh LNG's share of those amounts.

The above summarised financial information is reconciled to the carrying amounts of interests in joint ventures in the tables on the next page:

Reconciliation of summarised financial information

	Joint Gas Ltd. As at 31 December		Joint Gas Two Ltd. As at 31 December		SRV Joint Gas Ltd. As at 31 December	
	2016	2015	2016	2015	2016	2015
OPENING NET ASSETS	**(52 360)**	**(57 299)**	**(42 809)**	**(47 901)**	**(32 564)**	**(47 264)**
Profit (loss) for the period	4 183	3 605	4 363	4 191	7 795	5 601
Other comprehensive income	5 028	3 034	4 798	2 901	6 961	9 099
Dividend distribution	-	(1 700)	-	(2 000)	-	-
Other changes	0	0	0	0	-	-
CLOSING NET ASSETS	**(43 149)**	**(52 360)**	**(33 648)**	**(42 809)**	**(17 808)**	**(32 564)**
Interest in joint venture	33.98%	33.98%	50%	50%	50%	50%
Group adjustment vessel values	1 811	1 454	2 586	2 067	(137)	(1 170)
CARRYING VALUE	**(12 851)**	**(16 338)**	**(14 238)**	**(19 338)**	**(9 041)**	**(17 452)**

Reconciliation of summarised financial information, continued

	SRV Joint Gas Two Ltd. As at 31 December		Total As at 31 December	
	2016	2015	2016	2015
OPENING NET ASSETS	**(37 480)**	**(52 635)**	**(165 213)**	**(205 099)**
Profit (loss) for the period	6 859	5 762	23 200	19 159
Other comprehensive income	7 222	9 393	24 009	24 427
Dividend distribution	-	-	-	(3 700)
Other changes	-	-	-	-
CLOSING NET ASSETS	**(23 399)**	**(37 480)**	**(118 004)**	**(165 213)**
Interest in joint venture	50%	50%	33-50%	33-50%
Group adjustment vessel values	(700)	(1 635)	3 560	716
CARRYING VALUE	**(12 400)**	**(20 375)**	**(48 530)**	**(73 502)**

The mark-to-market valuations of the cash flow hedges in Höegh LNG's joint ventures are all recorded as part of investments in joint ventures, which results in investments being net liabilities.

Subsidiaries

Höegh LNG had the following subsidiaries at 31 December 2016;

Company	Country	Principal activity	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the group	Proportion of ordinary shares held by the NCI
Subsidiaries:					
Höegh LNG Ltd.	Bermuda	Holding	100		
Höegh LNG AS	Norway	Management		100	
Höegh LNG Fleet Management AS	Norway	Ship Management		100	
Leif Höegh (U.K.) Limited	England	Ship Management		100	
Hoegh LNG Asia Pte. Ltd.	Singapore	Business dev.		100	
Hoegh LNG Shipping Services Pte. Ltd.	Singapore	Depot Spares		100	
Hoegh LNG Maritime Management Pte. Ltd.	Singapore	Ship Management		100	
Port Dolphin Energy LLC	USA	Business dev.		100	
Port Dolphin Holding Company, LLC	USA	Holding		100	
Compressed Energy Technology AS	Norway	Business dev.		100	
Höegh LNG Colombia Holding Ltd.	Cayman Islands	Holding		100	
Höegh LNG Colombia S.A.S.	Colombia	FSRU Operation		100	
Höegh LNG FSRU IV Ltd.	Cayman Islands	Shipowning		100	
Methane Ventures Limited	British Virgin Islands	Investment	64.97		35.03
Höegh FLNG Ltd.	Bermuda	Dormant	100		
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Klaipeda, UAB	Lithuania	FSRU Operation		100	
Höegh LNG Québec Inc.	Canada	Dormant	100		
Höegh LNG Egypt LCC	Egypt	FSRU Operation		100	
Höegh LNG Egypt Holding I Ltd.	Cayman Islands	Holding		100	
Höegh LNG Egypt Holding II Ltd.	Cayman Islands	Holding		100	
Höegh LNG GP LLC	Marshall Islands	General Partner	100		
Höegh LNG Chile Holding Ltd.	Cayman Islands	Holding		100	
Höegh LNG Chile SpA	Chile	FSRU Operation		100	
Höegh LNG FSRU VI Ltd	Cayman Islands	Shipowning		100	
Höegh LNG Klaipeda LLC	Marshall Islands	Dormant		100	
Höegh LNG Partners LP *	Marshall Islands	Holding			
Common units			6.43		53.60
Subordinated units			39.97		
TOTAL UNITS			**46.40**		**53.60**

The MLP consisted of the following subsidiaries as of 31 December;

Company	Country	Principal activity	Proportion of ordinary shares held by MLP
Höegh LNG Partners LP	Marshall Islands	Holding	
Höegh LNG Partners Operating LLC	Marshall Islands	Holding	100
Hoegh LNG Services Ltd.	England	Management	100
Hoegh LNG Lampung Pte. Ltd.	Singapore	Holding	100
PT Hoegh LNG Lampung **	Indonesia	Shipowning	49
Hoegh LNG Cyprus Limited	Cyprus	Shipowning	100
Höegh LNG FSRU III Ltd.	Cayman Island	Holding	100
Joint Ventures:			
SRV Joint Gas Ltd.	Cayman Island	Shipowning	50
SRV Joint Gas Two Ltd.	Cayman Island	Shipowning	50

* HMLP is a US listed partnership based on the Marshall Islands. The Company's holding of 46.40% consists of 39.97% subordinated units and 6.43% common units. The partnership agreement limits the voting power of an individual common unit holder to a maximum of 4.9% for election to the Board. Subordinated unit holders have no right to appoint or elect Board members. Common unit holders have the right to elect four members of the Board while the General Partner, an entity controlled by the Company, has the right to appoint the remaining three members of the Board.

** Höegh LNG consolidates PT Hoegh LNG Lampung as it controls all of the economic interest in the company.

All subsidiary undertakings are included in the consolidated financial statements. Other than the subsidiaries described above, the proportion of the voting rights in subsidiary undertakings held directly by Höegh LNG do not differ from the proportion of ordinary shares held.

Summarised financial information on subsidiaries with material non-controlling interests

On 12 August 2014, HMLP closed its initial public offering (IPO) and sold 11,040,000 common units representing limited partner interests in the partnership, which were listed on the New York Stock Exchange. The net proceeds of the IPO were USD 203.5 million. The Company contributed its interests in Hoegh LNG Lampung Pte. Ltd., PT Hoegh LNG Lampung (the owner of the PGN FSRU Lampung), SRV Joint Gas Ltd. (the owner of the Neptune), SRV Joint Gas Two Ltd. (the owner of the GDF Suez Cape Ann) and certain related shareholder loans, promissory notes and accrued interest to the MLP in exchange for 2,116,600 common units and 13,156,060 subordinated units of HMLP. As a result, Höegh LNG's ownership in the partnership was reduced from 100% to 58.04%.

Prior to HMLP's first general meeting of the unitholders, the common units had no rights to exercise power over the partnership. Therefore, Management concluded that the Company continued to control the partnership. A decrease in the Company's ownership interest that does not result in a loss of control is accounted for as an equity transaction. The Company recognised a non-controlling interest (NCI) for the HMLP equivalent to the 41.96% ownership interest of the public unitholders. Under IFRS, Höegh LNG records directly in equity any difference between the recognised amount of NCI and the consideration received (or net proceeds). Net proceeds of USD 203.5 million exceeded the amount of NCI recognised of USD 97.3 million resulting in a total increase in equity for the controlling interest of USD 106.2 million. This was classified as an increase in other paid-in capital and changes in cash flow hedge reserves of USD 79.3 and USD 26.9 million, respectively. On 24 September 2014, the first general meeting of the unitholders was held to elect members of HMLP's Board. Common unitholders have the right to nominate candidates to the Board and elect four of seven of its members. However, the partnership agreement limits an individual unitholder's voting rights to a maximum of 4.9%. This means that the Company does not have a majority of the voting rights. The Company, through its subsidiaries, has the right to appoint the remaining three members of the Board.

In December 2016 HMLP issued 6,588,389 new common units. The Company did not participate in the equity offering and its ownership share in HMLP was consequently reduced from 58.0% to 46.4%.

According to IFRS 10, the assessment of control must be performed on a continuous basis. For the year ended 31. December 2014, following the election of four members of the Board, Management made an assessment over the control of the partnership. The assessment evaluated all of the facts and circumstances including the composition of the board of HMLP, the rights of unitholders and other arrangements and relationships between the parties. Based on an overall assessment of all the facts and circumstances, Management concluded that the Company had de facto control of HMLP even though it did not have a majority of the voting rights. Management's assessment was based on the combination of factors where the current composition of the board of directors of HMLP was an important element in the overall conclusion.

Management have reassessed the conclusion for 2016. The dilution of Höegh LNG ownership following the capital increase in HMLP prior to the drop down of Höegh Grace have been deemed not to have a material impact on the conclusion mainly due to the above mentioned limitation of voting rights per unit holder. It has been concluded that Höegh LNG has defacto control over HMLP also after the equity issuance.

The MLP consists of the following entities (ownership of entities is presented as the ownership by Höegh LNG Partners LP):

Company	Country	Principal activity	Proportion of ordinary shares held by MLP
Höegh LNG Partners LP	Marshall Islands	Holding	
Höegh LNG Partners Operating LLC	Marshall Islands	Holding	100
Hoegh LNG Services Ltd.	England	Management	100
Hoegh LNG Lampung Pte. Ltd.	Singapore	Holding	100
PT Hoegh LNG Lampung *	Indonesia	Shipowning	49
Hoegh LNG Cyprus Limited	Cyprus	Shipowning	100
Höegh LNG FSRU III Ltd.	Cayman Island	Holding	100
Joint Ventures:			
SRV Joint Gas Ltd.	Cayman Island	Shipowning	50
SRV Joint Gas Two Ltd.	Cayman Island	Shipowning	50

* Höegh LNG consolidates PT Hoegh LNG Lampung as it controls all of the economic interest in the Company.

On 1 October 2015, the holding company Höegh LNG FSRU III Ltd., owner of the FSRU Höegh Gallant, was sold to the MLP for a purchase price of USD 370 million. As Höegh LNG consolidates the MLP there is no gain recognised and all assets and debt are recognised at the same book value as before the transactions. The non-controlling interests' share of equity have been reduced with an amount equal to its share of the purchase price less the book value of the assets and liabilities transferred.

In December 2016, the issuance of 6 588 389 new common units increased the non-controlling ownership within Höegh LNG. The net proceeds from the transaction were USD 111.5 million. The impact of the transaction on non-controlling interest share of equity can be summarised as follows;

	HMLP subgroup	NCI ownership	NCI share
Net asset in HMLP before transaction	143 680	42%	60 375
Net proceeds from equity issuance	111 529		
Net asset HMLP after transaction	255 209	54%	136 781
INCREASE IN NET ASSET ALLOCATED TO NCI		**12%**	**76 406**
Change in share of HMLP hedge reserve in equity	79 846	12%	9 274

The summarised financial statements of the MLP in accordance with IFRS are presented below. The table includes transactions and balances towards other companies within Höegh LNG. As the MLP presents its own financials in accordance with USGAAP, and as there are certain differences arising from the incorporation of the subgroup and purchase of Höegh Gallant, the IFRS financials of the MLP are not directly comparable to the reported financial statements of the MLP.

Höegh LNG Partners Consolidated Summarised income statement	2016	2015
Freight revenues	96 534	61 035
Profit for the year	**30 429**	**25 281**
Other comprehensive income	9 938	10 847
COMPREHENSIVE INCOME	**40 367**	**36 128**
Attributable to NCI	19 665	15 531
Dividends paid to NCI	18 255	14 904

Höegh LNG Partners Consolidated Summarised balance sheet	2016	2015
Assets		
Cash and cash equivalents	110 683	32 868
Restricted cash	8 055	10 630
Other current assets	14 574	17 974
TOTAL CURRENT ASSETS	**133 312**	**61 472**
FSRUs	555 617	569 929
Other non-current assets	31 616	36 113
TOTAL NON-CURRENT ASSETS	**587 233**	**606 042**
TOTAL ASSETS	**720 545**	**667 514**
Liabilities		
Current liabilities	**56 482**	**61 585**
Long-term interest-bearing debt	298 206	327 342
Investments in joint ventures	21 441	37 830
Other non-current liabilities	64 384	75 810
TOTAL NON-CURRENT LIABILITIES	**384 031**	**440 982**
TOTAL LIABILITIES	**440 513**	**502 567**
Net assets	**280 032**	**164 947**
ATTRIBUTABLE TO NCI	**150 087**	**69 208**

Note 22: Shares and share capital

Number of shares	Par value	2016	2015
Ordinary shares authorised	USD 0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**USD 0.01**	**76 884 059**	**76 829 236**

Share capital	Number of shares	Par value	Total USD'000
Shares and share capital at 1 January 2016	76 829 236	0.01	768
Shares issue exercised stock options 2016	47 132	0.01	0
Share issue 26 May 2016	7 691	0.01	0
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2016	**76 884 059**	**0.01**	**769**

Treasury shares	Number of shares	Par value	Total USD'000
Höegh LNG Holdings Ltd. ownership	1 211 738	0.01	12
TREASURY SHARES AND SHARE CAPITAL AT 31 DECEMBER 2016	**1 211 738**		**12**

TOTAL OUTSTANDING SHARES AT 31 DECEMBER 2016	**75 672 321**

On 22 May 2016, the Company issued 7,691 common shares at a subscription price of NOK 91.50 as Board remuneration to six Directors of the Board.

Following an exercise of stock options by employees, 47,132 shares were issued in March 2016.

The number of issued shares was 76,884,059 as of 31 December 2016. The Company has one class of shares.

The 20 largest shareholders as of 31 December 2016 are specified below:

20 largest shareholders as at 31 December 2016		Ownership (#)	Ownership (%)
Leif Höegh & Co Ltd	(See Note 32)	31 933 849	41.54
State Street Bank and Trust Comp (Nominee)		5 552 726	7.22
Clearstream Banking S.A.(Nominee)		4 547 275	5.91
Allianz Global Investors LAD		3 332 978	4.34
UBS AG (Nominee)		2 797 835	3.64
BBP Paribas Sec. Services S.C.A		2 260 115	2.94
J.P Morgan Securities LCC (Nominee)		1 719 667	2.24
Folketrygdfondet		1 401 400	1.82
Methane Ventures Limited	(See Note 32)	1 211 738	1.58
J.P Morgan Chase Bank N.A, London (Nominee)		989 452	1.29
Skandinaviska Enskilda Banken AB (Nominee)		951 212	1.24
Verdipapirfondet DNB Norge (IV)		845 910	1.10
Fidelity Funds - Nordic Fund/SICAV		778 443	1.01
Norron SICAV - Target		570 000	0.74
VPF Nordea Norge Verdi		560 662	0.73
Morgan Stanley & Co International (Nominee)		536 534	0.70
KLP Aksje Norge		501 766	0.65
VPF Nordea Kapital		429 194	0.56
Verdipapirfondet DNB Norge Selektiv		417 824	0.54
The Bank of New Yourg Mellon N.V.		407 327	0.53
Other		15 138 152	19.69
TOTAL SHARES		**76 884 059**	**100.00**

Note 23: Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In the event of a loss, no dilution effect is calculated.

The Company held 1,211,738 treasury shares as at 31 December in 2016 and 31 December 2015. The following reflects the income and share data used in the basic and diluted EPS computations:

	2016	2015
Net profit attributable to equity holders of the parent company	**1 298**	**(37 737)**
Number of outstanding shares 1 January	75 617 498	69 898 827
Number of outstanding shares 31 December	75 672 321	76 829 236
Average share options outstanding (if profit)	2 722 646	-
Weighted average number of outstanding shares	75 644 910	70 717 995
Earnings per share (EPS):		
> basic, profit for the year attributable to ordinary equity holders of the parent	0.017	(0.534)
> diluted, profit for the year attributable to ordinary equity holders of the parent	0.017	(0.534)

Note 24: Share-based payment

Stock options in Höegh LNG Holdings Ltd.

In 2012, the Company introduced a share option programme, where share options of the Company are granted to members of management and key employees of Höegh LNG. The share options vest in three equal portions over a three year period from the initial date of granting, given that the option holder remains employed on such dates.

	Average exercise price	2016	2015
Outstanding at 1 January		2 096 012	2 189 000
Granted during the year		844 600	9 000
Exercised during the year		(114 671)	(101 988)
Forfeited during the year		(124 067)	-
Expired during the year		-	-
Adjusted quantity due to issuance of phantom units		(72 776)	
OUTSTANDING AT 31 DECEMBER	**NOK 57.25**	**2 629 098**	**2 096 012**
Exercisable at 31 December		1 483 674	1 164 342

A total of 676,673 options, included in the above table as outstanding as of 31 December, were exercised in December 2016 with shares delivered in January 2017.

For 2016, the expense recognised for employee services received during the year charged to the income statement is USD 2.0 million (USD 1.7 million in 2015). This includes the phantom units as described below.

The weighted average fair value of the share options granted during 2016 is NOK 39.78. 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. Options outstanding at 31 December 2016 expire on 31 December 2020 at the latest. The weighted average remaining contractual life for the share options was 2.72 years. The following parameters are inputs to the models used for the plan for the year ended 31 December 2016:

The following table lists the inputs to the models used for the plan for the years ended 31 December:	2016	2015
Dividend yield (%):	0	0
Expected volatility (%):	55.00	55.00
Risk-free interest rate (%):	0.75	0.67
Expected life of share options (years):	4.23	3.03
Weighted average share price:	90.08	94.00

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.

Phantom unit award to management of Höegh LNG

In order to align the interest of the management of Höegh LNG and the MLP, the Board of Directors of the Company decided to award a right to receive common units in HMLP (phantom units) to members of management and key employees who are directly involved in providing services to the MLP, where a number of the phantom units awarded have been exchanged against options granted in Round 3 of the Company's share option program.

The Board of Directors of the Company approved the total award of 53,568 phantom units in HMLP. A phantom unit is a notional unit that, upon vesting, entitles the participant to receive, at the time of settlement, a common unit in HMLP or an amount of cash equal to the fair market value of a common unit, as determined by the board in its sole discretion.

The phantom units will vest with one third on 31 December 2017, 2018 and 2019, respectively. They are non-tradable and conditional upon the participant being employed by the Company or its subsidiaries at the vesting date. Additional phantom units may be awarded as new participants may be included in the plan.

The grant has been accounted for as equity settled based on a fair value equal to the value of an unit at the time of grant.

	2016	2015
Outstanding at 1 January	-	-
Granted during the year	53 568	-
OUTSTANDING AT 31 DECEMBER	53 568	-

Phantom unit award to the CEO & CFO of HMLP

The Board of Directors of HMLP has awarded the CEO & CFO of HMLP, a total of 21,500 phantom units. Vesting and other conditions are similar to the phantom units granted by the Company:

	2016	2015
Outstanding at 1 January	-	-
Granted during the year	21 500	-
OUTSTANDING AT 31 DECEMBER	21 500	-

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of outstanding options at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date, which is the best estimate of the market price at the date of exercise. It is expected that costs will be incurred during the exercise period of 1 January 2017 to 31 December 2020.

Note 25: Deferred tax and corporate income tax

Current income tax	2016	2015
Current income tax payable	625	946
Change in deferred tax	4 933	734
Adjustments in respect of current income tax of previous years	(437)	(624)
CURRENT INCOME TAX EXPENSE (INCOME)	5 121	1 056

Reconciliation of income tax expense		
PROFIT (LOSS) BEFORE INCOME TAX	19 133	(90 952)
At Bermuda's statutory income taxe rate of 0%	-	-
Income tax expense reported outside Bermuda	5 121	1 056
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	5 121	1 056

Note 26: Trade and other receivables

	2016	2015
Trade receivables	27 817	23 129
VAT receivables	2 122	587
Receivables towards Joint Ventures	1 317	257
Prepayments and other	9 283	9 334
TOTAL	40 539	33 307

Note 27: Trade and other payables

	2016	2015
Trade payables	6 297	8 062
Public duties	9 972	7 703
Accrued vacation/leave pay	2 754	2 941
TOTAL	19 023	18 706

Outstanding trade and other payables as at 31 December 2016 fall due between 30-180 days.

Note 28: Provisions and accruals

	2016	2015
Prepayments from customers	2 585	12 342
Other	23 586	19 758
TOTAL	26 171	32 100

Note 29: Other current financial liabilities

	2016	2015
Interest rate swaps designated as effective hedging instruments*	52 397	12 725
Accrued interest on mortgage debt	2 362	2 571
Accrued interest on bond	3 131	3 076
TOTAL	57 890	18 372

* 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, reference is made to Note 14.

Note 30: Other non-current assets

	2016	2015
Pre contract costs	4 752	5 077
Arrangement, commitment fees on undrawn facilities	2 420	2 343
IT and equipment	1 945	2 170
Equipment related to FSRU operations	8 069	9 124
Dry dock leased vessels	4 934	6 825
TOTAL	**22 120**	**25 539**

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

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

The table below reconciles the carrying value of equipment:

Equipment related to FSRU operations and IT	2016	2015
Cost 1 January	16 828	6 680
Reclassified from newbuildings	-	3 250
Items scrapped or sold	(960)	-
Additions	618	6 898
COST AT 31 DECEMBER	**16 486**	**16 828**
Accumulated depreciation at 1 January	(5 534)	(4 417)
Items scrapped or sold	929	-
Depreciation charge	(1 867)	(1 117)
ACCUMULATED DEPRECIATION AT 31 DECEMBER	**(6 472)**	**(5 534)**
NET CARRYING AMOUNT AT 31 DECEMBER	**10 014**	**11 294**

Note 31: Non-current financial assets and liabilities

Interest rate swap agreements are entered into by Höegh LNG in addition to a cross currency interest rate swap agreement (see Note 14). 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 2016 is presented below. For current portion of the mark-to-market valuations, see Note 14.

Non-current financial assets at 31 December:	2016	2015
Interest rate swaps - designated as hedges	8 485	2 800
VAT receivable	6 119	10 065
Long-term recivables	6 195	-
Other	1 324	95
TOTAL	**22 123**	**12 960**

Non-current financial liabilities at 31 December:	2016	2015
Interest rate swaps - designated as hedges	4 570	54 962
VAT liability	11 254	14 651
Pension liabilities	1 114	1 086
TOTAL	**16 938**	**70 699**

For further information on interest rate swaps, see Note 14.

Note 32: Transactions with related parties

Transactions with joint ventures

Höegh LNG provides various management services to its joint ventures. The below table provides the total amounts of the aggregate transactions of management services that have been entered into between Höegh LNG AS, Höegh LNG Fleet Management AS and the joint ventures for 2016 and 2015. For recognition of management revenues, see Note 4.

Management income from joint ventures	2016	2015
Joint Gas Ltd.	67	65
Joint Gas Two Ltd.	67	65
SRV Joint Gas Ltd.	1 359	1 326
SRV Joint Gas Two Ltd.	2 263	1 377
TOTAL	**3 756**	**2 833**

Höegh LNG has shareholder loans entered into with two of its joint ventures:

Non-current	2016	2015
SRV Joint Gas Ltd.	641	3 659
SRV Joint Gas Two Ltd.	302	3 202
TOTAL NON-CURRENT	**943**	**6 861**
Current		
SRV Joint Gas Ltd.	3 275	3 565
SRV Joint Gas Two Ltd.	3 000	3 565
TOTAL CURRENT	**6 275**	**7 130**
TOTAL	**7 218**	**13 991**

Transactions with other related parties

Höegh Autoliners Management AS

Höegh LNG considers Höegh Autoliners Holdings AS to be a related party as both Morten W. Høegh (Chairman of the Board) and Leif O. Høegh (Deputy Chairman) indirectly have a significant beneficial interest in both companies. Höegh LNG has entered into agreements with Höegh Autoliners Management AS (a wholly owned subsidiary of Höegh Autoliners Holdings AS) relating to Höegh LNG's purchase of insurance services provided by Höegh Autoliners Management AS and lease of office premises.

The following table provides the aggregated amounts of administrative services including the lease of premises for 2016 and 2015:

Administrative services from	2016	2015
Höegh Autoliners Management AS	1 242	1 532
TOTAL	**1 242**	**1 532**

Höegh Capital Partners AS

Höegh LNG has an agreement with Höegh Capital Partners AS, a company owned by the Høegh family, for the provision of investment management services by Höegh Capital Partners AS of any excess liquidity. Reference is made to Note 16 for further details.

Leif Höegh & Co Ltd. (Cyprus)

Höegh LNG 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 Höegh flag). The licence agreement is effective for 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 Group ceases to use the name and trademark "Höegh LNG" and the Höegh funnel mark.

Terms and conditions of transactions with related parties

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

Top management and Board of Directors' remuneration

The remuneration to top management, consisting of seven executives, and the Board of Directors during 2016 and 2015 is presented below:

Remuneration to the key management and Board of Directors in USD:	2016	2015
Salaries	2 378 118	2 333 582
Pension compensation (cash allowance)	318 587	322 534
Share-based payment expense (Note 24)	1 460 149	1 149 385
Other taxable benefits	232 949	217 039
Pensions (Defined contribution scheme)	140 717	137 670
Bonus	770 487	814 913
Board of Directors' Fee	1 021 000	1 015 000
TOTAL	**6 322 007**	**5 990 123**

Co-investment vehicle for management

Methane Ventures Limited, a British Virgin Islands limited liability company, is a co-investment company jointly owned by the management of Höegh LNG and the Company. At 31 December 2016, the Company owned 64.97% of the shares in Methane Ventures Limited, and the remaining 35.03% of the shares were owned by Höegh LNG's Management. Methane Ventures Limited owned 1,211,738 shares in the Company as at 31 December 2016. Management's investment in Methane Ventures Limited has been extended beyond the initial term and will expire no later than 30 June 2017. Upon termination of the investment scheme, the owners of Methane Ventures Limited may receive either cash or shares in the Company or a combination thereof. 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 individual performance and the achievement of Höegh LNG's corporate goals and operating performance targets. The bonus potential will vary from two to twelve months' salary for the individual members of the scheme. Höegh LNG has a general bonus scheme incorporates all Höegh LNG's permanent and qualifying employees, except for the participants in the Management bonus scheme. Full bonus potential of the general bonus scheme is one month salary and the achievement is based on individual performance, corporate goals and operating performance.

Note 33: Subsequent events

The Company declared a cash dividend on 27 February 2017 of USD 0.125 per share for the first quarter of 2017.

The sale of a 51% equity interest in Höegh Grace to Höegh LNG Partners LP closed.

The shipbuilding agreement with Samsung Heavy Industries for one firm FSRU and options for three additional FSRUs was formally signed.

A shipbuilding contract with HHI for a FSRU newbuilding with delivery in the fourth quarter of 2018 was announced.

NOK 1,500 million in new unsecured bonds was placed in the Nordic bond market in January 2017. Following the offering, the Company bought back 13% of the outstanding HLNG01 bond loan.

Höegh LNG announced it had signed HOA with Qatar Petroleum, Total, ExxonMobil, and Mitsubishi for FSRU terminal infrastructure in Pakistan.

Appendix 1– Alternative performance measures ("APM's")

Höegh LNG's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Höegh LNG's performance. Alternative performance measures are used by Höegh LNG to provide supplemental information to the different users of its external financial reporting. Financial APMs are intended to enhance comparability of the results and to give supplemental information related to measures not within the applicable financial reporting framework, and it is Höegh LNG's experience that these measures are frequently used by as well equity- and debt investors, analysts and other stakeholders. Management also uses these measures internally to drive performance in terms of target setting and as basis for measuring actual performance. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the group where relevant. Operational measures such as, but not limited to, volumes, technical availability of vessels/fleet and contract backlog are not defined as financial APM's. Financial APM's should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

Höegh LNG's APM's

- EBIT: EBIT is defined as line item Operating profit after depreciation and impairment in the interim consolidated statement of income.

- EBITDA: EBIT adding depreciation, amortisation and impairments. EBITDA is defined as line item Operating profit before depreciation and impairment in the interim consolidated statement of income.

- Net interest-bearing debt: Non-current and current interest-bearing debt deducted cash and marketable securities and restricted cash (current and non-current).

- Equity adjusted for hedging: Total book equity adjusted for mark-to-market value of financial derivative swaps recorded against equity. Financial derivative swaps consist of interest-rate and cross-currency interest-rate swaps. In the money mark-to-market financial derivative swaps will increase equity, while out of the money mark-to-market financial derivative swaps will reduce equity. Mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures are recorded as part of line item Investment in joint ventures. See Note 6 for more information regarding hedging reserves.

- Equity ratio adjusted for hedging: Total book equity (see above) adjusted for hedging reserves divided by total assets adjusted for hedging.

Höegh LNG's APM's	2016	2015
EBIT	76 432	25 688
EBITDA	111 280	90 292
Net interest-bearing debt	(584 911)	(423 155)
Equity adjusted for hedging	677 111	597 834
Equity ratio adjusted for hedging	40%	40%

APM Net interest-bearing debt calculated as:	2016	2015
Long-term and short-term interest-bearing debt	(935 862)	(787 062)
Restricted cash long-term	18 580	19 648
Cash and marketable securities	332 371	344 259
NET INTEREST-BEARING DEBT	**(584 911)**	**(423 155)**

APM Equity adjusted for hedging calculated as:	2016	2015
Equity	596 063	491 565
Hedge reserve, including NCI share	81 048	106 269
EQUITY ADJUSTED FOR HEDGING	**677 111**	**597 834**

APM Equity ratio adjusted for hedging calculated as:	2016	2015
Total assets	1 713 461	1 502 281
Hedge assets	8 485	2 800
Total assets adjusted for hedging	1 704 976	1 499 481
Equity adjusted for hedging	677 111	597 834
EQUITY RATIO ADJUSTED FOR HEDGING	**40%**	**40%**

Klaipeda, Lithuania

FINANCIAL STATEMENTS
HÖEGH LNG HOLDINGS LTD. (PARENT COMPANY)
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF INCOME

USD'000	Note	2016	2015
Administrative expenses	11	(3 401)	(5 856)
Operating expenses		(980)	-
OPERATING RESULT		(4 381)	(5 856)
Interest income	8	13 827	14 376
Dividend received	18	25 652	20 617
Interest expenses	9, 14	(17 057)	(19 619)
Income from other financial items		5 697	362
Expenses from other financial items	19	584	(5 154)
(Impairment)/Reversal of impairment	17	(825)	(54 882)
PROFIT (LOSS) FOR THE YEAR BEFORE TAX		**23 497**	**(50 155)**
Income taxes		-	-
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**23 497**	**(50 155)**

STATEMENT OF OTHER COMPREHENSIVE INCOME

PROFIT (LOSS) FOR THE YEAR		**23 497**	**(50 155)**
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on cash flow hedges	10	8 187	(96)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**8 187**	**(96)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**31 684**	**(50 251)**

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
USD'000	Note	2016	2015
ASSETS			
Non-current assets			
Investments in newbuildings under construction	7	38 487	31 044
Investments in subsidiaries	3	395 329	389 887
Loans to subsidiaries	4, 6	434 943	367 989
Other receivables		-	11
Other non-current financial assets	10	8 101	759
Total non-current assets		**876 860**	**789 690**
Current assets			
Trade receivables and other receivables	5	5 980	5 927
Marketable securities	20	135 751	231 094
Cash and cash equivalents	12	12 359	3 938
Total current assets		**154 091**	**240 958**
TOTAL ASSETS		**1 030 950**	**1 030 648**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	769	768
Share premium reserve		445 077	444 740
Hedging reserves	10	3 225	(4 962)
Other paid-in equity		7 408	6 077
Retained earnings		315 733	322 984
Total equity		**772 212**	**769 607**
Non-current liabilities			
Other non-current financial liabilities	10	-	47 080
Bond	14	128 043	205 638
Total non-current liabilities		**128 043**	**252 717**
Current liabilities			
Accrued interest Bond	14	3 183	3 076
Trade and other payables		773	507
Provisions and accruals		140	610
Other current financial liabilities	10	45 856	4 131
Bond short-term	10, 14	80 742	-
Total current liabilities		**130 694**	**8 324**
TOTAL EQUITY AND LIABILITIES		**1 030 950**	**1 030 648**

Hamilton, Bermuda, 22 March 2017

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

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Cameron E. Adderley
Director

Sveinung J.S. Støhle
President & CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Share capital (Note 13)	Share premium reserve	Other paid-in equity (Note 3)	Hedging reserve (Note 10)	Retained earnings	Total equity
AT 1 JANUARY 2015	**698**	**344 318**	**4 674**	**(4 866)**	**401 792**	**746 616**
Issue of share capital (Note 13)	69	100 423	-	-	-	100 492
Share-based payment costs	-	-	1 403	-	-	1 403
Dividend to shareholders	-	-	-	-	(28 653)	(28 653)
Total comprehensive income 2015	-	-	-	(96)	(50 155)	(50 251)
AT 31 DECEMBER 2015	**768**	**444 741**	**6 077**	**(4 962)**	**322 984**	**769 607**
Issue of share capital (Note 13)	1	336	-	-	-	337
Share-based payment costs	-	-	1 332	-	-	1 332
Dividend to shareholders	-	-	-	-	(30 748)	(30 748)
Total comprehensive income 2016	-	-	-	8 187	23 497	31 684
AT 31 DECEMBER 2016	**769**	**445 077**	**7 408**	**3 225**	**315 733**	**772 212**

STATEMENT OF CASH FLOWS

USD'000	Note	Year ended 31 December 2016	2015
Cash flows from operating activities:			
Profit (loss) before tax for the year		23 497	(50 155)
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments on marketable securities		(5 697)	(362)
Impairment of financial assets	17	825	54 882
Board remuneration		85	50
Interest income	8	(13 827)	(14 376)
Interest expenses	9	17 057	19 619
Loss on interest rate swaps		223	112
Dividend received from Höegh LNG Partners LP	18	(25 652)	(20 617)
Working capital adjustments			
Changes in accounts receivable and payable		(258)	(148)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(3 746)**	**(10 996)**
Cash flow from investing activites:			
Capital contributions paid to Höegh LNG Partners LP	3	(3 921)	(6 596)
Dividend received from Höegh LNG Partners LP	18	25 652	20 617
Purchase of marketable securities	20	(116)	(184 230)
Proceeds from sale of marketable securities	20	101 269	71 191
Interest received		66	1 420
Investments in Methane Ventures Limited	3	-	(135)
Investments in newbuildings under construction	7	(5 119)	(1 180)
NET CASH FLOW FROM INVESTING ACTIVITIES		**117 831**	**(98 912)**
Cash flow from financing activites:			
Gross proceeeds from equity issue	13	-	102 908
Transaction costs equity issue	13	-	(2 507)
Dividend paid	13	(30 263)	(28 654)
Net proceeds from bond issue		-	127 370
Interest paid	14	(18 330)	(23 337)
Payment of intercompany borrowings	4, 6	(57 070)	(72 532)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(105 663)**	**103 248**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8 422**	**(6 660)**
Cash and cash equivalents at 1 January		3 938	10 597
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**12**	**12 359**	**3 938**

Note 1: Corporate information

Please refer to information provided in Note 1 of the Consolidated Financial Statements.

Note 2: Summary of significant accounting policies

The financial statements of Höegh LNG Holdings Ltd. (the "Company") are prepared in accordance with International Financial Reporting Standards (IFRS) with respect to recognition and measurement. Requirements related to recognition and measurement applied to the company financial statements of Höegh LNG Holdings Ltd. are identical to the ones described in Note 2 Summary of significant accounting policies in the consolidated financial statements, with the exception of shares in subsidiaries, which are recognised at cost in the Company financial statements.

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

Note 3: Investments in subsidiaries

	2016	2015
Carrying value at 1 January	389 887	423 194
Investment in Höegh LNG Partners LP *	3 921	6 596
Acquisition of shares in Methane Ventures Limited	-	135
Impairment of the investment in Höegh FLNG Ltd. (See Note 17)	-	(41 482)
Share-based payments costs	1 521	1 444
CARRYING VALUE AT 31 DECEMBER	**395 329**	**389 887**

* The additional investment of USD 3.9 million in 2016 (USD 6.6 million in 2015) are the indemnification paid to HMLP.

Carrying amount per group company	2016	2015
Höegh LNG Partners LP	272 492	268 571
Höegh LNG Ltd.	121 449	119 928
Höegh FLNG Ltd.	-	-
Methane Ventures Limited	1 388	1 388
CARRYING AMOUNT AT 31 DECEMBER	**395 329**	**389 887**

Companies	Registered office	Ownership share	Carrying amount	Book equity (100%) 31 December 2016	Book equity (100%) 31 December 2015
Höegh LNG Ltd.	Bermuda	100.00%	121 449	20 489	50 432
Höegh LNG Partners LP	Marshall Islands	46.40%	272 492	338 479	270 457
Höegh FLNG Ltd.	Bermuda	100.00%	-	14 207	23 456
Methane Ventures Limited	British Virgin Islands	64.97%	1 388	1 452	1 666
Höegh LNG Québec Inc	Canada	100.00%	-	-	-
Höegh LNG GP LLC	Marshall Islands	100.00%	-	(28 162)	(15 085)
TOTAL			**395 329**	**346 464**	**330 927**

At year ended 31 December 2016, the market value of HMLP's units was approximately USD 19.0, giving a fair value of the Company's investment in HMLP of about USD 290 million as the Company's ownership in HMLP was 15.3 million units.

Note 4: Non-current loans to subsidiaries

	2016	2015
Intercompany receivables Höegh LNG Ltd.	426 321	367 989
Intercompany receivables Höegh LNG Partners LP (See Note 6)	8 622	-
AT 31 DECEMBER	**434 943**	**367 989**

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

See Note 8 for recognition of interest income and Note 16 for transactions with related parties.

Note 5: Trade receivables

	2016	2015
Commitment fee on revolving credit facility of USD 85 million provided to Höegh LNG Partners LP	-	287
Prepayments	216	195
Intercompany receivables	33	30
Other current financial assets Methane Ventures Limited	5 731	5 415
TOTAL	**5 980**	**5 927**

Note 6: Revolving credit facility

On 12 August 2014, the Company issued a revolving credit facility (RCF) in an aggregate amount of USD 85 million to the borrower Höegh LNG Partners LP. The drawn amount at 31 December 2016 amounted to USD 8.6 million (USD 0 million at 31 December 2015). The RCF has a floating interest rate equal to 3 months LIBOR plus a margin of 4%. The RCF also has a commitment fee that carries a fixed interest rate of 1.4%. Interest income and commitment fees have been recognised with USD 1.3 million in 2016 (USD 1.2 million in 2015).

Note 7: Investments in newbuildings under construction

The shipbuilding contract for the construction of FSRU#7 (HN 2552) was entered into with Hyundai Heavy Industries Ltd. in November 2014. The table below sets out the components comprising the carrying amount of newbuildings under construction:

	2016	2015
Carrying amount at 1 January 2016	31 044	26 803
Yard instalments paid	-	-
Borrowing cost (See Note 9)	2 629	2 376
Other capitalised cost	4 814	1 865
Newbuildings delivered during the year	-	-
CARRYING AMOUNT AT 31 DECEMBER 2016	**38 487**	**31 044**

Note 8: Interest income

	2016	2015
Interest on intercompany loan to Höegh LNG Ltd.	12 035	12 346
Interest on loan to Methane Ventures Limited	401	446
Interest on loan to Höegh FLNG Ltd.	28	344
Commitment fee Höegh LNG Partners LP	1 296	1 190
Other interest income	67	51
TOTAL	**13 827**	**14 376**

For outstanding interest-bearing receivables see Note 4. Reference is made to Note 16 for transactions with related parties.

Note 9: Interest expenses

	2016	2015
Interest expense bond issue 2012 ("HLNG01")	10 522	10 298
Interest expense bond issue 2015 ("HLNG02")	9 164	5 430
Bond interest expense eligible for capitalisation (See Note 7)	(2 629)	(2 376)
Interest expense demand note Höegh LNG Partners LP (See Note 6)	-	6 266
TOTAL	**17 057**	**19 619**

Note 10: Financial derivatives

The Company has entered into a cross currency interest rate swap relating to the NOK bond and an interest rate swap on the USD bond. As of 31 December 2016, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 40.8 million. The financial liabilities were classified as current liabilities of USD 45.9 million. USD 5.7 million was recognised as non-current financial assets.

In addition, the Company has entered into a forward swap contract in relation to financing of HN 2552 (FSRU#7).

At 31 December 2016, the net mark-to-market valuation of the interest rate swaps entered into was recognised with a positive value of USD 3.2 million in the equity of the Company.

MtMs of cash flow hedges in the Financial Position	2016	2015
MtMs presented as financial assets non-current portion	5 682	759
Total MtMs presented as financial liabilities non-current portion	-	(47 080)
Total MtMs presented as financial liabilities current portion	(45 856)	(4 131)
NET MtMs OF CASH FLOW HEDGES AS AT 31 DECEMBER	**(40 174)**	**(50 452)**
Foreign exchange losses under cross currency swap included in MtM	43 258	45 125
Accumulated loss on swap in profit or loss	141	365
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS AT 31 DECEMBER	**3 225**	**(4 962)**

USD 8.2 million relating to the swaps was recorded as a gain in other comprehensive income (OCI) in 2016. In 2015, USD 0.1 million was recorded as a loss in OCI.

Note 11: Administrative expenses

	2016	2015
Stock options cost, declared and paid out	12	-
Remuneration to Board members	315	310
Audit fees	244	326
Legal fees	695	2 051
Other external services	180	166
Management cost from companies within the Group	1 445	1 841
Consultancy fee on SOx*	339	1 038
Miscellaneous expenses	171	124
Indemnification to loss of hire in the MLP (See Note 20 in Group accounts)	-	-
TOTAL	**3 401**	**5 856**

* Compliance with Sarbanes-Oxley Act (SOx).

Note 12: Cash and cash equivalents

Currency	Exchange rate	2016	Exchange rate	2015
US Dollars (USD)	1	11 772	1	3 792
Norwegian Kroner (NOK)	8.62	587	8.81	146
TOTAL		**12 359**		**3 938**

All bank deposits are held with Norwegian banks.

Note 13: Share capital

Number of shares	Par value	2016	2015
Total number of share authorised	USD 0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARE ISSUED AND FULLY PAID	**USD 0.01**	**76 884 059**	**76 829 236**

Share capital	Number of shares	Par value USD	USD'000
Opening balance 1 January 2016	**76 829 236**	**0.01**	**768**
Share issue 22 March 2016	47 132	0.01	0.05
Share issue 26 May 2016	7 691	0.01	0.08
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2016	**76 884 059**		**769**

On 22 May 2016, the Company issued 7,691 common shares at a subscription price of NOK 91.50 as Board remuneration to six Directors of the Board. Following an exercise of stock options by employees, 47,132 shares were issued in March 2016.

The Company has one class of shares and as of 31 December 2016, the number of issued shares in the Company was 76 884 059. During 2016, total dividend paid out amounted to USD 30.3 million. The Board of Directors of the Company also declared a cash dividend on 27 February 2017 of USD 0.125 per share for the first quarter of 2017.

Note 14: Bond

	2016	2015
Bond issue 2012 ("HLNG01")	80 742	79 010
Bond issue 2015 ("HLNG02")	130 000	130 000
Debt issuance cost bonds issues	(1 957)	(3 372)
AT 31 DECEMBER	**208 786**	**205 638**

On 3 October 2012, the Company completed the issuance of a senior unsecured bond of NOK 750 million in the Norwegian bond market with maturity date of 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 total interest rate has been fixed at 7.3%. The decrease in liability due to currency fluctuations is offset by the cross-currency swap.

On 5 June 2015, the Company completed the issuance of a USD 130.0 million senior unsecured bond in the Nordic bond market with maturity date of 5 June 2020. The bond bears interest of 3 months LIBOR plus a coupon of 5%. The bond issue was swapped from floating to a total fixed interest rate of 6.7%.

Interest on the bond has been expensed in the amount of USD 17.1 million during 2016 (USD 13.4 million). At 31 December 2016, accrued interest was USD 3.2 million (USD 3.1 million).

Note 15: Financial risk management objectives and policies

Capital Management

As the Parent of Höegh LNG, the primary objective of the Company's capital management is to ensure adequate capital ratios in order to support on-going operations, business development activities, capital expenditures and maximise shareholder value within the Group.

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 the Company. The shares and the bonds issued by the Company are listed at the Oslo Stock Exchange.

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.

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.

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

	Carrying amount		Fair value	
Financial assets	**2016**	**2015**	**2016**	**2015**
Financial instruments at fair value through profit or loss				
Marketable securities	135 751	231 094	135 751	231 094
Loans and receivables				
Interest-bearing receivables	434 943	367 989	434 943	367 989
Restricted cash	-	-	-	-
Trade receivables and other	5 980	5 938	5 980	5 938
Cash and cash equivalents	12 359	3 938	12 359	3 938
TOTAL	**589 033**	**608 958**	**589 033**	**608 958**
TOTAL CURRENT	**154 091**	**240 969**	**154 091**	**240 969**
TOTAL NON-CURRENT	**434 943**	**367 989**	**434 943**	**367 989**

The fair value of the financial assets and liabilities are included in 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 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.

– Both the bonds issued by the Company (HLNG01 issued on 3 October 2012 and HLNG02 issued on 5 June 2015) are listed on Oslo Stock Exchange, and the fair values of these are disclosed based on traded information. As of 31 December 2016, the fair values were 103.06% and 100.19% for HLNG01 and HLNG02, respectively (102.25% and 96.63% at 31 December 2015).

– A USD 223 million senior secured credit facility agreement for the financing of HN 2552 was entered into in March 2016 by the Company as borrower. The Company will be replaced by a special purpose entity borrower on delivery of the FSRU and the Company will become a guarantor. Customary security package will be entered into upon delivery of the FSRU from the yard.

	Carrying amount		Fair value	
Financial liabilities	**2016**	**2015**	**2016**	**2015**
Financial instruments at fair value through profit or loss				
Derivatives in effective cash flow hedges	45 856	51 210	45 856	51 210
Loans and payables				
Revolving loan Höegh LNG Partners LP	8 622	-	8 443	-
Trade and other payables	773	507	773	507
Bond	208 786	205 638	213 460	206 407
TOTAL	**264 037**	**257 355**	**268 532**	**258 124**
TOTAL CURRENT	**135 994**	**4 638**	**46 629**	**4 638**
TOTAL NON-CURRENT	**128 043**	**252 717**	**221 903**	**253 487**

Refer to Note 14 in Consolidated Financial Statements for fair value hierarchy and for further outline of financial risk management objectives and policies.

Note 16: Related party transactions

Receivables against related party	2016	2015
Subsidiary		
Höegh LNG Ltd.	426 321	367 989
Methane Ventures Limited	5 731	5 415
Höegh FLNG Ltd.	-	-
Höegh LNG Partners LP	-	287
TOTAL	**432 052**	**373 691**

Interest income from related party		
Subsidiary		
Höegh LNG Ltd.	12 035	12 346
Methane Ventures Limited	401	446
Höegh FLNG Ltd.	28	344
Höegh LNG Partners LP (commitment fee)	1 296	1 190
TOTAL	**13 761**	**14 326**

Interest cost to a related party		
Subsidiary		
Höegh LNG Partners LP	-	6 266
TOTAL	**-**	**6 266**

Administrative service expence from	2016	2015
Subsidiary		
Höegh LNG AS	1 445	1 841

The Company has entered into loan agreements with subsidiaries as described in Note 4 and has received administration services in the amount of USD 1.4 million in 2016 from the subsidiary Höegh LNG AS (USD 1.8 million in 2015).

Other related parties

For transactions with other related parties, reference is made to Note 32 of the Consolidated Financial Statements.

Note 17: Impairment

As a consequence of Höegh LNG' decision to put FLNG activities on hold, the Company has recognised an impairment of USD 0.8 million in 2016.

	2016	2015
Impairment of investment in Höegh FLNG Ltd.	-	41 482
Impairment of loan to Höegh FLNG Ltd.	825	13 400
TOTAL	**825**	**54 882**

Note 18: Dividend

The Company has during 2016 received quarterly dividends of USD 6.4 million from HMLP, totalling USD 25.6 million.

Note 19: Other financial expenses

	2016	2015
Loss on financial instruments	(223)	112
Loss on exchange	(361)	5 042
TOTAL	**(584)**	**5 154**

Note 20: Marketable securities

Refer to Note 16 in the Consolidated Financial Statements disclosing information to the Company's marketable securities.

Note 21: Share-based payments

Refer to Note 24 in the Consolidated Financial Statements disclosing information to the Company's share option programme.

Note 22: Commitments and guarantees

Refer to Note 20 in the Consolidated Financial Statements for guarantees provided by the Company.

Note 23: Subsequent events

Refer to Note 33 in the Consolidated Financial Statements for events after the balance sheet date.

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Höegh LNG Holdings Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Höegh LNG Holdings Ltd., which comprise the financial statements for the Parent company and the Group. The financial statements for the Parent company and the Group comprise the statement of financial position as at 31 December 2016, the statement of income, the statement of other comprehensive income, the statement of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Höegh LNG Holdings Ltd. present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Consolidation of entity in which the Group holds less than 50% of the voting rights

The Company has less than 50% of the voting rights in Höegh LNG Partners LP ("HMLP"). However, the Company has concluded that it has de-facto control over HMLP. There are other factors than voting rights, which can be decisive as to whether the Company has obtained control. An evaluation of de-facto control involves assessing all of the facts and circumstances, including the composition of the Board of Directors in HMLP, the rights of unitholders to nominate board members and other arrangements and relationships in the partnership. Considering the involvement of management's judgment in concluding de-facto control this was a key audit matter.

We read and evaluated the unitholder agreements to understand the voting mechanisms, the rights of unitholders, board composition and governance structure. We assessed other information such as partnership agreements, minutes from board meetings, statutes and financing agreements. Further, we assessed management's assessment of de-facto control to the accounting guidance in IFRS.

Refer to note 2 in the financial statements for the Company's assessment of control.

Accounting for uncertain VAT receivable towards customer

As at 31 December 2016, the Company has a Value Added Tax ("VAT") receivable amounting to USD 6.2 million related to a customer invoice from 2014. Management has engaged an external specialist to assess the validity of the receivable. The legal assessment supports management's assessment that the VAT receivable is recoverable, however with significant uncertainty related to timing of collection. Considering the financial significance and management's judgment this was a key audit matter.

We have evaluated the competence and capabilities of management's specialist and assessed their assessment. Our procedures also included reading and evaluating the correspondence between the involved parties. Through our audit procedures, we further obtained an understanding of management's process and assessment of probability of recoverability, subsequent evidence and the presentation of the VAT receivable position.

Refer to note 2 in the financial statements for the Company's assessment of the recoverability and presentation of the VAT refund.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and the President & CEO (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 7 April 2017
ERNST & YOUNG AS

Finn Ole Edstrøm

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Global Reporting Initiative (GRI) Content Index

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Strategy and Analysis		
G4-1	Statement from the most senior decision-maker of the organisation.	Pages 6-7
Organisational profile		
G4-3	Name of the organisation.	Front cover
G4-4	Primary brands, products, and services.	Pages 10-13 and web: http://www.hoeghlng.com/Pages/OurBusiness.aspx
G4-5	Location of the organisation's headquarters.	Page 10
G4-6	Number of countries where the organisation operates, names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Page 10
G4-7	Nature of ownership and legal form and markets served.	Page 10
G4-8	Markets served (geographic breakdown, sectors served, and types of customers and beneficiaries).	Pages 11-12
G4-9	Scale of the organisation: employees, operations, sales, capitalisation and quantity of services provided.	Pages 13-17
G4-10	Total number of employees by employment contract, gender, permanent employees, region, supervised workers, casual workers and significant variations in employment numbers.	Of the permanent employees, all work full-time except for 1 female and 1 male. The company does not engage supervised or casual workers. There are no significant variations in employment numbers over the year. Employment data has been broken down by onshore and maritime categories, instead of region due to the nature of the operations. 229 (1 female) of the maritime personnel have permanent contracts. 206 (0 females) have temporary contracts. 107 (38 females) of the office personnel have permanent contracts, 7 (4 females) have temporary contracts.
G4-11	Percentage of total employees covered by collective bargaining agreements.	All maritime personnel are covered by collective bargaining agreements. No office employees are covered by collective bargaining agreements.
G4-12	Description of the supply chain.	Page 27
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	None
G4-14	Precautionary approach or principle.	Page 22
G4-15	Subscription to externally developed economic, environmental and social charters, principles, or other initiatives.	HLNG is a member of the Maritime Anti-corruption Network (MACN)
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organisations.	HLNG is a member of the Norwegian Shipowners' Association, the International Group of Liquefied Natural Gas Importers (GIIGNL) and The Society of International Gas Tanker and Terminal Operators (SIGTTO).

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Identified Material Aspects and Boundaries		
G4-17	Entities included in the consolidated financial statements.	Page 47
G4-18	Process for defining the report content and the Aspect Boundaries and, implementation of the Reporting Principles for Defining Report Content.	Page 22
G4-19	List of all the material Aspects identified in the process for defining report content.	Page 22
G4-20	Aspect Boundary within the organisation for each material aspect.	All material aspects are relevant for all entities within the organisation.
G4-21	Aspect Boundary outside the organisation for each material Aspect.	All Environmental aspects, Anti-corruption, Anti-competitive behaviour as well as all Supply chain aspects may have impacts outside the company.
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation.	Page 22
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Page 22
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Page 22
G4-27	Key topics and concerns that have been raised through stakeholder engagement. How the organisation has responded to these key topics and concerns, including through reporting. Stakeholder groups that raised each of the key topics and concerns.	Page 22
Report Profile		
G4-28	Reporting period for the information provided.	2015
G4-29	Date of most recent previous report.	April 2016
G4-30	Reporting cycle (such as annual, biennial).	Annual
G4-31	Contact point for questions regarding the report or its contents.	Erik Folkeson Head of Investor Relations Email: erik.folkeson@hoeghlng.com Cell phone: +47 41 42 17 69
G4-32	‘In accordance’ option chosen. GRI Content Index for the chosen option. Reference to the External Assurance Report.	This report is prepared in accordance with Core GRI 4 Guidelines.
G4-33	External assurance for the report.	The GRI content of this report has not been externally assured.

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Governance		
G4-34	Governance structure of the organisation.	Pages 30-37 and web page: http://www.hoeghlng.com/Pages/Governance.aspx
Ethics and Integrity		
G4-56	Description of the organisation’s values, principles, standards and norms of behaviour.	Pages 22, 26-27 and 30

Specific Standard Disclosures

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Energy			
G4-DMA	Disclosures on management approach.	Page 23	
G4-EN3	Energy consumption within the organisation.	Page 23	Includes all vessels and electricity, heating and cooling consumption in the head office.
Biodiversity			
G4-DMA	Disclosures on management approach.	Pages 23-24	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Pages 23-24	
Emissions			
G4-DMA	Disclosures on management approach.	Page 23	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Page 23	Data includes reporting for all vessels, but not GHG emissions from office activities.
G4-EN21	NOx, SOx, and other significant air emissions.	Page 23 SOx emissions are calculated based on the method, assumptions and emission factor described in the Third IMO GHG study 2014 (MEPC 67/ INF.3 dated 25 July 2014).	NOx emissions are not reported for 2016.
Effluents and Waste			
G4-DMA	Disclosures on management approach.	Page 24	
G4-EN24	Total number and volume of significant spills.	None	
Compliance - Environment			
G4-DMA	Disclosures on management approach.	Page 23	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Supplier Environmental Assessment			
G4-DMA	Disclosures on management approach.	Page 27	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	All new suppliers are screened using environmental criteria.	
Employment			
G4-DMA	Disclosures on management approach.	Page 25	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	In 2016, Höegh LNG hired 29 new employees, which equals a rate of 5%. 21 office personnel and 8 maritime personnel. Out of the 21 new office personnel, 5 were below the age of 30, 14 were between the age of 30 and 50 and 2 were above the age of 50. 9 of the office personnel were female and 12 were male. The 8 new maritime personnel were all male, 5 of these were below the age of 30, 3 were in between the age of 30-50 and zero were above the age of 50. Turnover in 2016 was 6.3%.	Turnover: 7 office employees left the company during 2016. No reporting on their age or gender for privacy reasons. For maritime personnel, retention rates are calculated as per common industry practice.
Occupational Health and Safety			
G4-DMA	Disclosures on management approach.	Page 24	
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	100% of the total workforce is represented in formal H&S committees.	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Page 24	Types of injury and occupational diseases are not reported. Data is not broken down on gender to limit the risk of revealing a person's identity.
Training and education			
G4-DMA	Disclosures on management approach.	Page 25	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Page 25	

GRI INDEX

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Supplier Assessment for Labour Practices			
G4-DMA	Disclosures on management approach.	Page 27	
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria.	All new suppliers are screened using labour practices criteria.	
Non-Discrimination			
G4-DMA	Disclosures on management approach.	Page 26	
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	None	
Anti-Corruption			
G4-DMA	Disclosures on management approach.	Page 26	
G4-SO5	Confirmed incidents of corruption and actions taken.	Page 26	
Anti-competitive Behaviour			
G4-DMA	Disclosures on management approach.	Page 26	
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	None	
Compliance - Society			
G4-DMA	Disclosures on management approach.	Page 26	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None	
Supplier Assessment for Impacts on Society			
G4-DMA	Disclosures on management approach.	Page 27	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	Page 27 All new suppliers are screened using criteria for impacts on society.	

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