HÖEGH LNG

ANNUAL REPORT 2018

THE FSRU PROVIDER

Annual Report 2018

About Höegh LNG

Höegh LNG operates world-wide with a leading position as owner and operator of floating LNG import terminals; floating storage and regasification units (FSRUs), and is one of the most experienced operators of LNG Carriers (LNGCs). Höegh LNG's vision is to be the industry leader of floating LNG solutions. Its strategy is to develop the business through an extended service offering, with large-scale FSRUs as the main product, and focus on establishing long-term contracts with attractive risk-adjusted returns involving credible counterparts. The company is publicly listed on the Oslo stock exchange under the ticker HLNG, and owns approximately 46% of Höegh LNG Partners LP (NYSE:HMLP). Höegh LNG is a Bermuda based company with established presence in Norway, the Philippines, Singapore, the UK, USA, South Korea, Indonesia, Lithuania, Egypt, Colombia and Turkey. The group employs approximately 155 office staff and 545 seafarers.

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	2018	2017
INCOME STATEMENT		
Total income	352 662	279 350
Operating profit before depreciation and amortisation (EBITDA)	207 666	148 902
Operating profit	143 202	106 160
Profit for the year	72 008	41 052
PER SHARE DATA		
Earnings per share (in USD)	0.43	0.24
Dividend per share (in USD)	0.10	0.50
BALANCE SHEET [1]		
Equity adjusted for hedging transactions	829 705	763 136
Adjusted equity ratio (%)	36	39
Net interest-bearing debt	1 250 786	908 080
CASH FLOW		
Net cash flow from operating activities	170 177	128 912
Net cash flow from investing activities	(369 794)	(308 741)
Net cash flow from financing activities	204 630	146 424

OPERATIONAL KPIs

	2018	2017
Technical availability (%)	99.80	99.79
Lost time injury frequency (per million work hours)	0.00	0.40

FLEET LIST

	Type	Economic interest (%)	Built	Flag	Storage capacity (m^3)	Regas capacity (MMscf/d)
Arctic Princess	LNGC	34	2006	NIS	147 208	
Arctic Lady	LNGC	50	2006	NIS	147 208	
Neptune[2]	FSRU	50	2009	NIS	145 130	750
Cape Ann[2]	FSRU	50	2010	NIS	145 130	750
Independence	FSRU	100	2014	SGP	170 132	384
PGN FSRU Lampung[2]	FSRU	100	2014	IDN	170 132	360
Höegh Gallant[2]	FSRU	100	2014	NIS	170 000	500
Höegh Grace[2]	FSRU	100	2016	MHL	170 000	500
Höegh Giant	FSRU	100	2017	MHL	170 032	750
Höegh Esperanza	FSRU	100	2018	NIS	170 032	750
Höegh Gannet	FSRU	100	2018	SGP	170 000	1000
FSRU #10	FSRU	100	2019	MHL	170 000	750

[1] At year-end.
[2] Owned by Höegh LNG Partners LP.

Front page photo:
Höegh Esperanza and Höegh Giant

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Bringing LNG to the world

ANNUAL REPORT HÖEGH LNG 2018

Höegh Esperanza

Bringing LNG to the world

We continue to operate in fast-growing markets with solid fundamentals driven by increasing demand for LNG. Having made important commercial progress in 2018, expanded into small-scale LNG and completed the financing of our newbuildings, we are favourably positioned in 2019 to successfully compete for the most attractive long-term FSRU contracts to the benefit of all stakeholders.

As a result of our "Safety First" policy and the strong commitment of all personell, we had operated at the end of 2018 for 16 consecutive months without a single lost-time injury. Combined with an achieved technical availability of 99.8%, we continue to provide our customers with operational excellence, and such strong results also serve as a commitment to maintain and increase the quality of our services in the future.

As part of these efforts, we continue to improve risk management and supply chain practices, including end-to-end compliance measures. We have also launched internal improvement programmes, including a new digital platform, which will facilitate enhanced operational efficiency and strengthen our organisational capacity across our growing fleet.

Momentum in the FSRU markets increased during 2018, reflecting an active LNG market. Coinciding with 10% growth in LNG consumption, an end to the impasse on investment decisions for new LNG production facilities and a turnaround in LNG shipping rates, the number of FSRU contract awards has also increased. The opportunities in our markets remain significant, although with a high level of competition between the FSRU providers.

Through a proactive and targeted approach we made important commercial progress in 2018 and are currently in the process of securing attractive long-term employment for all the FSRUs in our fleet. On the financial side, we benefit from our long track record and leading market position.

Evidence of this was provided in 2018 by our ability to secure attractive newbuilding financing as well as a refinancing of two FSRUs owned by Höegh LNG Partners. Backed by a strong financial position, we also took the opportunity to invest in Avenir LNG in order to pursue emerging opportunities within the rapidly evolving market for small-scale LNG, which represents a further expansion of our commercial platform and is ultimately also a driver of demand for our core full-sized FSRU offering.

The combination of a solid operational platform, state-of-the-art FSRU assets, market-leading technical and commercial expertise and a strong balance sheet, position us to compete for the most attractive FSRU projects anywhere in the world. Demand for our services is robust and backed by a diverse set of strategic factors, including the desire to switch from heavily polluting coal to cleaner and competitively priced natural gas in power production. The outlook for 2019 is positive, and we will work hard to defend and expand our leadership position by securing additional contracts and continuing to provide our customers with the highest level of service and operational excellence.

Sveinung J.S. Støhle
President and CEO

Höegh Grace

02

Directors’ report


NO SMOKING

Directors' report for 2018

Höegh LNG took important steps in 2018 towards realising the future earnings potential of its fleet by being selected for two new FSRU projects. With continued operational excellence, outstanding technical capabilities and a strong financial platform, the board of directors regards Höegh LNG as well positioned to compete for attractive new FSRU business in 2019.

Strategic direction

Höegh LNG Holdings Ltd ("Höegh LNG Holdings" or "the company") and its subsidiaries and joint ventures (together "Höegh LNG" or "the group") operate worldwide and holds a leading position as the owner and operator of floating storage and regasification units (FSRUs).

Höegh LNG's vision is to be the market leader for floating LNG solutions. Its mission is to develop, manage and operate the group's assets to the highest technical, ethical and commercial standards, thereby providing value to customers and maximising benefits for shareholders and other stakeholders.

Höegh LNG's strategy is to develop the business through an extended service offering, with large-scale FSRUs as the main product, complemented by small-scale regasification solutions and associated infrastructure. The group focuses on long-term contracts with attractive risk-adjusted returns involving counterparties with solid fundamentals. In order to remain at the forefront of commercial and technical development, it seeks to embrace and drive innovation. Its financial strategy is intended to provide maximum financial flexibility through a diversified funding base for both debt and equity, with equity being in place before making new investments and with Höegh LNG Partners L.P. ("Höegh LNG Partners" or "the partnership") as an integral part of the financial platform.

Höegh LNG took delivery of two FSRU newbuildings (Höegh Esperanza and Höegh Gannet) in 2018, and had one FSRU under construction at 31 December 2018 (FSRU #10). This is due for delivery in mid-2019 from Samsung Heavy Industries in South Korea. Combined with the nine FSRUs already in operation, Höegh LNG will by mid-2019 have a fleet of 10 FSRUs as well as two LNG carriers (LNGCs). The group targets further growth in accordance with its strategy to always have capacity available for new opportunities in the FSRU market, and continuously evaluates its growth opportunities in light of its employment situation.

The average age of the assets in operation is 5.7 years, while the average value-weighted remaining length of the commercial contracts is 12.7 years, adding up to a revenue backlog of USD 3.1 billion. All units performed in accordance with their contracts during 2018, with technical availability of 99.8% and zero lost-time injuries were recorded.

Höegh LNG started operations under a three-plus-one year FSRU/LNGC contract in China with CNOOC in June 2018, extending the already strong relationship with CNOOC and positioning Höegh LNG for additional regasification opportunities in this high-potential market. The group has furthermore signed a 10-year FSRU agreement with AGL Energy Ltd.'s (AGL) FSRU project at Crib Point in Australia, with scheduled start-up in 2020-21, conditional on receipt of regulatory approvals and a final investment decision in relation to the project.

In accordance with its strategy of providing an extended LNG service offering, Höegh LNG announced a USD 24.75 million equity investment in Avenir LNG Ltd (Avenir LNG) in October 2018. Backed by Stolt-Nielsen Ltd (Stolt-Nielsen), Höegh LNG and Golar LNG Ltd (Golar LNG), Avenir LNG's strategy is to aggregate various sources of gas demand and deliver LNG to these using a fleet of small-scale LNG carriers and terminals. Access to storage and offloading services provided by FSRUs is critical for a successful small-scale LNG operation, while well-developed small-scale LNG services are expected to stimulate FSRU demand by expanding the number of viable markets for full-size FSRU newbuildings.

During 2018, Höegh LNG secured debt financing for Höegh Gannet, which was delivered in December 2018, and received commitment letters for sale and leaseback financing for FSRU #10. Furthermore, Höegh LNG Partners received commitment letters for the refinancing of Höegh Gallant and Höegh Grace, which was finalised in a subsequent event in January 2019.

Höegh LNG paid a dividend of USD 0.10 per share during 2018. The dividend was reduced from USD 0.50 per share annually in February 2018 to reflect delays and cancellations in the portfolio of projects under development. The board has resolved to re-evaluate the amount of the dividend when more clarity has been achieved on the group's revenue backlog.

The company's registered office is located in Hamilton, Bermuda, but the group operates worldwide and has an office presence in Oslo (Norway), the Philippines, London (UK), Singapore, Miami (USA), Jakarta (Indonesia), Klaipeda (Lithuania), Cairo (Egypt) and Cartagena (Colombia), plus a site team in Geoje, Busan (South Korea).

The company is listed on Oslo Børs (the Oslo stock exchange) in Norway and has established Höegh LNG Partners as a master limited partnership (MLP), listed on the New York Stock Exchange. Höegh LNG Partners has been formed to own, operate and acquire LNG assets which are in operation and employed under long-term contracts, and has both common and preferred equity instruments listed on the New York Stock Exchange.

Review of 2018

Overall performance

All FSRUs in the Höegh LNG fleet operated in accordance with their contracts during the year, with technical availability remaining unchanged at 99.8%.

Höegh LNG recorded no lost-time injuries in 2018, giving a lost-time injury frequency (LTIF) of zero.

Fleet development

Höegh Esperanza was delivered from Hyundai Heavy Industries on 5 April 2018. Following its delivery and charterer approval procedures, the unit started a three-plus-one year FSRU/LNGC contract with CNOOC Gas & Power Trading and Marketing Ltd (CNOOC) on 4 June 2018.

Höegh Gannet was delivered from Hyundai Heavy Industries on 6 December 2018, and started a 15-month LNGC contract with Naturgy Energy Group S.A (Naturgy) later that month.

Construction of FSRU #10 progressed in accordance with plans and budgets. The unit has a scheduled delivery date in mid-2019 from South Korea's Samsung Heavy Industries.

Corporate activities

On 26 January 2018, Höegh LNG Partners filed a prospectus supplement with the US SEC in which it announced that it had started an ATM equity raising programme. Under the programme, Höegh LNG Partners may, from time to time, issue new common units or 8.75% series A cumulative redeemable preferred units up to a limit of USD 120 million. Proceeds from the programme may be used for general partnership purposes, including repayment of debt, additional investments or similar. At 31 December 2018, Höegh LNG Partners had raised USD 43.2 million in net proceeds under this programme.

On 1 October 2018, Höegh LNG announced an investment of USD 24.75 million in Avenir LNG, initially a joint venture with Golar LNG and Stolt-Nielsen to pursue opportunities in the small-scale LNG market. The combined equity commitment is USD 182 million, which will fund six small-scale LNG carriers and a small-scale LNG terminal under construction in Sardinia. The combined initial equity contribution of USD 99 million by the three partners was supplemented with USD 11 million raised in a private placement on 13 November 2018. The shares in Avenir were subsequently registered on the Norwegian OTC market under the ticker AVENIR. Höegh LNG and Golar LNG each hold 22.5% of the shares, while Stolt-Nielsen holds 45%.

Commercial development

On 7 February 2018, Höegh Giant started a time charter with Naturgy under which it earns an LNG carrier spot-market-linked dayrate with a floor and ceiling structure. This contract has an initial term of three years, and includes the option for Naturgy to utilise the unit as an FSRU on pre-defined commercial terms.

Höegh LNG announced on 4 June 2018 that it had signed a time charter for Höegh Esperanza with CNOOC. The time charter is for three years with an option for a one-year extension. Under the contract, Höegh Esperanza will be utilised in FSRU mode at the Tianjin LNG terminal for no less than an agreed-upon period each year, with the balance of the year in LNGC and/or FSRU modes. Depending on the mode of use, Höegh Esperanza will contribute USD 22-28 million to group EBITDA per annum.

Höegh LNG announced on 15 October 2018 that it had agreed with Egypt Natural Gas Holdings Company (Egas) to amend the Höegh Gallant time charter. Under the amended contract, Höegh Gallant will be chartered as an LNG carrier to Clearlake Shipping, a subsidiary of commodity trader Gunvor, and Egas will compensate for the rate difference between the original FSRU contract and the new LNG carrier time charter. The amended contract became effective in October 2018 and will run to April 2020, the termination date of the original five-year FSRU contract.

Directly following its delivery on 6 December 2018 and a positioning voyage, Höegh Gannet commenced a 15-month time charter with Naturgy. Under the contract, Höegh Gannet will earn a fixed daily charter rate which is in line with the long-term average medium-term market for DFDE LNG carriers.

Höegh LNG announced on 21 December 2018 that it had entered into a time charter contract with AGL Shipping Pty Ltd (AGL), a wholly owned subsidiary of AGL Energy Ltd, for the provision of an FSRU to facilitate AGL's proposed LNG import facility at Crib Point in Victoria, Australia. The charter is for a period of 10 years with anticipated start-up in 2020-21. The contract remains conditional on the final investment decision by the board of directors of AGL Energy Ltd in relation to the przoject and on the receipt of key regulatory approvals. The FSRU assigned to the project is expected to generate between USD 29 million and USD 31 million in annual EBITDA, depending on planned technical modifications which may be specified by AGL before project start-up.

LNG and FSRU market outlook

Global LNG trade reached 320 million tonnes in 2018, up by 9.6% from 2017. Increasing consumption in Asian markets such as China, South Korea, India and Pakistan accounted for most of the growth from 2017, while Europe also made a substantial contribution with imports rising sharply towards the end of the year. Rising demand for LNG was matched by expanding supply volumes from Australia and USA.

As much as 49 million tonnes of additional LNG production capacity is due to commence operation in 2019, including major new developments such as Ichthys LNG, Prelude FLNG, Corpus Christi LNG, Cameron LNG and Freeport LNG, as well as additional trains at Yamal LNG and Sabine Pass LNG. Adding to the 27.6 million tonnes which commenced operation in 2018, these new volumes will ensure increased availability of LNG at competitive prices and thereby enable further volume growth across the market.

Adding to the positive outlook for future LNG availability, new liquefaction facilities are again being sanctioned. 17 million tonnes of additional LNG production capacity were given final investment decision in 2018, including LNG Canada's 14 million tonnes. Qatar Petroleum and ExxonMobil have further sanctioned their Golden Pass LNG project on the US Gulf coast in the first quarter of 2019, which will add another 16 million tonnes of LNG from 2024. Qatar Petroleum is also moving ahead with its announced expansion of around 30 million tonnes at its existing facilities, with planned completion by 2025.

The largest contributor to growth in global LNG consumption is China, with imports up 40% to 54.7 million tonnes in 2018. Such volumes make China the world's second-largest LNG consumer, second only to Japan's 84.4 million tonnes of annual LNG consumption.

The number of LNG importers continues to increase. Forty-two countries imported LNG in 2018, and this number is expected to increase to 46 by 2020 and 58 by 2025, according to research by IHS Markit. The key enabler for such growth is increasing supply of competitively priced LNG, while demand drivers include a widespread and environmentally motivated coal-to-gas switch, diversification efforts, seasonality in power demand as well as new gas-fired power generation.

IMO2020, the International Maritimes Organisation's global 0.5% cap on sulphur contents in marine fuels coming into effect in 2020, represents a driver for LNG demand. LNG, with virtually no sulphur content, is an attractive low-cost alternative to fuel oil, and a growing number of merchant vessels are likely to run on LNG in the future, requiring LNG bunkering infrastructure to be developed.

FSRUs, representing the most time- and cost efficient way to access global LNG trade, served 22 import projects globally at 31 December 2018, while 10-12 projects had signed up FSRU capacity and were preparing to commence LNG imports over the next two years. LNG imports through FSRUs fell by 6% in 2018 to 32.4 million tonnes as imports through recently installed FSRUs in Pakistan and Bangladesh were more than offset by declining imports through FSRUs in Egypt, the UAE, Kuwait, Brazil and Argentina. Three FSRUs previously covering Brazil, Abu Dhabi and Egypt were released from their contracts in 2018.

Six FSRU contracts were awarded in 2018, up from only two short-term contracts in 2017. A significant number of FSRU projects still in the selection process add to the market potential of and employment opportunities for FSRUs.

The global FSRU fleet consisted of 31 units at 31 December 2018. Ten FSRUs, including one LNGC-to-FSRU conversion, were under construction. Only one FSRU newbuilding was ordered in 2018, while one LNGC-to-FSRU conversion was sanctioned. Four of the FSRU newbuildings under construction appear to be uncommitted.

Benchmark spot rates for TFDE LNG carriers increased by about 90% to an average of USD 84 000 per day in 2018, with the main driver being the underlying volume growth in the LNG market. Furthermore, with increasing LNG production in the Atlantic basin and demand concentrated in Asia, tonne-mile demand found support. This added to the positive momentum in the shipping market. Towards the end of the year, however, a larger share of LNG cargoes were instead directed towards European markets, resulting in a softening trend in spot rates for LNG carriers.

Financial results

Group figures

The financial statements of Höegh LNG consolidate HMLP and include joint venture companies in accordance with the equity method. Unless otherwise stated, figures for 2018 are compared with figures for 2017.

Income statement

Total income was USD 352.7 million in 2018

(2017: USD 279.4 million), while operating profit before depreciation and amortisation (EBITDA) was USD 207.7 million (USD 148.9 million). The increase in total income and EBITDA relates to higher charter hire earned under the spot-market-linked Höegh Giant time charter with Naturgy, charter hire earned by Höegh Esperanza under its contract with CNOOC, a higher share of profit from joint ventures and USD 34.7 million in revenue recognition of remaining contractual commitments under the suspension and settlement agreement with Egas. This agreement covers the difference in revenue between the original FSRU contract and the new LNG carrier charter rate for Höegh Gallant and runs through April 2020, the termination date of the original FSRU contract. Such positive factors were offset by voyage and operating expenses for Höegh Esperanza and Höegh Gannet, and a full year of operating expenses for Höegh Giant, as well as higher administrative expenses.

Operating profit was USD 143.2 million in 2018 (USD 106.2 million). Depreciation increased by USD 13.1 million in 2018 following the delivery of Höegh Esperanza in the second quarter and Höegh Gannet in December 2018. Höegh LNG recognised an impairment of USD 9 million in the third quarter of 2018 related to jetty equipment previously installed in Ain Sokhna as part of the original FSRU contract for Höegh Gallant.

Net financial expenses amounted to USD 62.8 million in 2018 (USD 60 million). The growth in net financial expenses mainly reflects a rise in interest costs following the increase in debt related to Höegh Esperanza and Höegh Gannet, partly offset by lower interest on outstanding bond loans as well as higher interest income.

Profit after tax was USD 72 million (USD 41.1 million).

Business segments

The group's activities are focused on four operating segments, namely HMLP, operations, business development and project execution. Activities not part of operations are included in corporate and other. The segment structure is in line with the way the group's operations are managed and monitored internally.

The HMLP segment, which includes activities related to Höegh LNG Partners, recorded a total income of USD 163 million (USD 151 million) in 2018 and EBITDA of USD 129 million (USD 117 million).

The operations segment, is responsible for the commercial and technical management of the group's operational FSRUs and LNGCs which have not been transferred to Höegh LNG Partners. It recorded a total income of USD 190 million (USD 126 million) in 2018 and EBITDA of USD 107 million (USD 56 million).

The business development and project execution segment, comprises all activities related to business development and project execution, including non-capital expenditure costs related to newbuildings. It recorded a total income of USD 0 million (USD 2.5 million) in 2018 and negative EBITDA of USD 14 million (negative USD 13 million).

The corporate and other segment, which comprises the group's management, finance, legal and other corporate services, reported no income in either 2018 or 2017 and negative EBITDA of USD 15 million (negative USD 12 million), reflecting group administrative expenses.

Financial position

At 31 December 2018, equity and liabilities totalled USD 2 305 million (USD 1 959 million). The increase from 31 December 2017 mainly reflects the debt on Höegh Esperanza and Höegh Gannet, the profit for the year as a whole, and the capital raised under the ATM in Höegh LNG Partners, offset by dividends paid by Höegh LNG Holdings and Höegh LNG Partners.

The carrying amount of equity at 31 December 2018 was USD 787 million (USD 705 million). Net of mark-to-market of hedging reserves, the adjusted carrying amount was USD 830 million (USD 763 million), bringing the adjusted equity ratio to 36% (39%). The capital structure of Höegh LNG is considered to be adequate given the risk facing the group, and will be subject in the future to the issuance of further debt relating to FSRU newbuildings, net profits and dividend payments, new equity capital issued and other factors.

Capital commitment

At 31 December 2018, Höegh LNG had around USD 196 million in remaining off-balance-sheet capital commitments relating to the FSRU newbuilding programme including yard payments for FSRU #10, project expenses, finance costs and contingencies.

Höegh LNG has made an investment in Avenir LNG of USD 24.75 million in October 2018. Höegh LNG expects to contribute with another USD 18 million in 2019 as part of its initial investment commitment to this company.

Financing

At 31 December 2018, Höegh LNG's interest-bearing debt was USD 1 433 million (USD 1 156 million), an increase explained by the issuance of debt related to Höegh Esperanza and Höegh Gannet, offset by ordinary debt repayments made in 2018.

Höegh LNG announced on 3 August 2018 that it had received commitment letters for a USD 177 million debt financing of Höegh Gannet. The facility, which was closed in November 2018, comprises a 12-year tranche of USD 132 million guaranteed by K-SURE (the South Korean export credit agency) and a five-year non-amortising bank tranche of USD 42.5 million. The facility has a 16-year blended amortisation profile, and a swapped fixed interest rate of approximately 5%.

Höegh LNG furthermore received commitments for sale and leaseback financing of up to USD 206 million for FSRU #10, which is due for delivery by mid-2019. Provided by China Construction Bank Financial Leasing Co Ltd (CCB), this facility will be available to fund 70% of the delivered cost of the FSRU, increasing to 80% once long-term employment for the unit has been established. The facility will bear a 20-year amortisation profile and has a tenor of 12 years. The interest rate for the financing has been fixed at a rate of about 5.7%.

In the fourth quarter of 2018, Höegh LNG Partners received the commitment letters for the refinancing of Höegh Gallant and Höegh Grace, whose original financing matured in 2019 and 2020 respectively. This new facility, which was closed in a subsequent event in January 2019, is structured as two term loans totalling USD 320 million plus a USD 63 million revolving credit facility that is available for general partnership purposes. The facility has a tenor of seven years and a blended amortisation profile of 15 years, assuming full drawing under the revolving credit facility. The term loan has been swapped with a blended fixed interest rate for the facility of about 5%. The full term loan was drawn in January 2019 and outstanding amounts under the original USD 412 million facility repaid.

Cash flow and liquidity

Cash flow from operating activities was USD 170.2 million in 2018 (USD 128.9 million), up from 2017 owing to earnings contribution from Höegh Esperanza and higher revenues from Höegh Giant. Net cash flow used in investing activities amounted to USD 369.8 million (USD 308.7 million), up from the year before as a result of the delivery of Höegh Esperanza and Höegh Gannet, as well as the USD 24.75 million investment in Avenir LNG. Cash flow from financing activities was USD 204.6 million (USD 146.4 million), driven by net proceeds from borrowings and proceeds from the at-the-market equity raising programme in HMLP, and offset by dividend payments. Total cash flow in 2018 was positive at USD 5.0 million (negative at USD 33.4 million).

At 31 December 2018, unrestricted and restricted current cash and cash equivalents amounted to USD 164.5 million (USD 160 million). In addition, Höegh LNG had non current restricted cash of USD 17.9 million (USD 13.6 million).

At 31 December 2018, the group's current interest-bearing debt was USD 373.7 million (USD 73.4 million), including USD 304.2 million in outstanding debt under the USD 412 million facility which was repaid in January 2019, while it had about USD 210 million in capital expenditures falling due in 2019. This will be funded with cash flows from operation, as well as up to USD 206 million in debt financing for FSRU #10.

Going concern

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

Parent company financials

Total comprehensive income for the company on a stand-alone basis in 2018 was USD 29.2 million (USD 19 million). The increase from 2017 related mainly to USD 1.2 million higher dividend, USD 7.7 million higher interest income and 3.6 million lower interest expense, offset by USD 5.2 million in higher net administrative expenses and USD 2.3 million lower share based payments. There was no impairment in 2018 whereas 2017 included a USD 3.2 million impairment related to Methane Ventures Limited. Net loss on cash flow hedges in 2018 was also reduced by USD 2 million to USD 0.3 million.

At 31 December 2018, total assets were USD 1 084 million (USD 1 065 million), while the equity ratio was 71% (70%). Cash flow in 2018 was USD 52.1 million (USD 19.1 million). Net proceeds from borrowings, sales of marketable securities and dividends received from HMLP were used mainly for investment in newbuildings and cash dividend payments. At 31 December 2018, the company held USD 83.6 million in cash and cash equivalents (USD 31.5 million). The company did not have any investment-grade marketable securities per 31 December 2018 (USD 74 million).

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

Compliance with increasingly complex health, safety and environmental legislation and statutory 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, emissions to the air, discharges to land and water, and health and safety standards. Violation of these laws and regulations could have adverse financial consequences.

Market risk

Höegh LNG has nine FSRUs in operation, of which five are on long-term contracts with expiration dates between 2024 to 2036. Together with the FSRU newbuilding under construction at 31 December 2018, Höegh LNG is working to establish long-term employment for five FSRUs. The group has secured one conditional long-term FSRU contract in 2018, and is in several additional advanced tendering processes which could lead to additional long-term FSRU contracts. However, no certainty can be expressed about the outcome of these processes until they are completed, and Höegh LNG will consequently remain exposed to variations in demand for FSRUs for units currently employed on interim trading contracts.

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 transport.

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 presented by port constraints, weather conditions, and vessel compatibility and performance can affect the results of operations and expose Höegh LNG to adverse financial 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 rates), credit and liquidity risk. Risk management routines are in place to mitigate such risks. Once such 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 315 million in 2018. In addition, Höegh LNG has certain revenues in euros and Egyptian pounds intended to cover local expenses and taxes.

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. Outstanding interest-bearing debt carried on the balance sheet totalling USD 1 433 million, net of debt issuance costs, will be repaid through the cash flow generated from new and existing assets in Höegh LNG or through refinancing. At 31 December 2018, Höegh LNG had around USD 196 million in remaining off-balance-sheet capital commitments in relation to the FSRU newbuilding programme. This compares with USD 221 million in total available liquidity including the USD 63 million revolving credit facility in Höegh LNG Partners. In addition, Höegh LNG has received commitment letters for a sale and leaseback financing of up to USD 206 million in financing for FSRU #10. When conditions relating to long-term employment of Höegh Giant and Höegh Esperanza are met, the available amount under the respective financing facilities may be increased by up to USD 29 million and USD 30 million respectively.

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. 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.

Sustainability 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 sustainability 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 and ISO 14001. 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 rigorous due diligence and must comply with the same standards as the company. 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 sustainability report. Since 2014, Höegh LNG has reported its corporate sustainability performance in accordance with the sustainability reporting framework (section 4) of the Global Reporting Initiative (GRI).

Personnel

Höegh LNG had 152 permanent office employees and 547 maritime personnel at 31 December 2018. The 24-month cumulative retention rate at 31 December 2018 was close to 100% for maritime personnel. Average sickness absence among office employees was 2% in 2018 (4.1%). Zero lost-time injuries were reported during 2018 on Höegh LNG vessels, resulting in an LTIF of 0.00. This outstanding performance is a result of the group's 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, with only five women among the maritime personnel. Women accounted for 41% (36%) of Höegh LNG's office employees at 31 December 2018. All the directors on the company's board are male, while the group executive team has one female member out of eight in total.

Shareholder information

As of 31 December 2018, the company's share capital was USD 772 605.80, comprising of 77 260 580 issued and fully paid in common shares with a par value of USD 0.01. Net of 1 211 738 treasury shares, the number of outstanding shares was 76 048 842. Leif Höegh & Co Ltd was the largest shareholder holding 33 159 509 million shares. During the year the company issued 15 834 new shares to directors as part remuneration for their service at the board.

In January 2019, the company delivered 131 143 common shares held in treasury as settlement of options exercised on 31 December 2018, reducing the number of treasury shares to 1 080 595 and increasing the number of outstanding shares to 76 179 985.

As of 31 December 2018, and after the exercise of options maturing at year-end 2018, the number of stock options outstanding totalled 2 008 749.

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 amount in NOK distributed per share.

Corporate governance

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. Höegh LNG has adopted and implemented a corporate governance system which, other than as stated in said report, complies with the Norwegian code of practice for corporate governance and section 7 of the Oslo Børs continuing obligations.

Prospects

Höegh LNG continues to operate in a market with a diverse set of opportunities across all regional markets, driven by the desire of new and existing LNG importers to access increasing volumes of competitively priced LNG. Activity in FSRU tendering markets accelerated throughout 2018, with the number of FSRU contract awards increasing from two in 2017 to six in 2018, reflecting the positive overall development of the LNG market.

Grant date	Total number of options granted (including additional grants)	Vesting dates for options granted	No of options remaining outstanding at 31 Dec 2018	Strike price at 31 Dec 2018 (adjusted with dividends paid since grant date)	Latest expiry date
29 Jan 2016 ("Round 3")	844 600	1/3rd on 31 December 2017, 2018 and 2019 respectively	685 724	NOK 80.2	31 Dec 2020
22 Mar 2018 ("Round 4")	1 471 600	1/3rd on 31 December 2019, 2020 and 2021 respectively	1 323 025	NOK 45.17	31 Dec 2022
TOTAL			**2 008 749**		

The commercial, technical and regulatory complexity of many of the FSRU projects currently under development is significant. Combined with continued strong competition from other FSRU providers, a key success factor in this market is the ability to offer prospective clients the services and quality they require, and at a competitive price. With its solid operational platform, institutionalised experience and wide geographical presence, it is the board's view that Höegh LNG has the capabilities required to win the most attractive projects in the marketplace.

Small-scale LNG is considered an attractive investment opportunity in itself, as well as a tool to increase demand for and competitiveness of Höegh LNG's core product; the full-scale FSRUs. With the investment in Avenir LNG to pursue opportunities in the small-scale LNG market already in place, Höegh LNG remains committed to continuing to support growth in this high-potential market beyond its initial equity commitments.

Höegh LNG starts 2019 with a solid financial position. With the dept financing in place for the final FSRU in the current newbuilding programme and the first refinancing of the two FSRUs in Höegh LNG Partners completed, attention will be focused on refinancing the HLNG02 bond loan which matures in 2020.

Höegh LNG's main area of attention in 2019 will first and foremost be on securing new long-term FSRU contracts, thereby expanding its revenue backlog and establishing the foundation for further profitable growth. With its well-proven financial and operational platform and technical experience, Höegh LNG remains well placed to strengthen its position further as the premier supplier of FSRU services worldwide.

Hamilton, Bermuda, 11 April 2019

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

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

Independence and Arctic Princess

03

Sustainability report


MSC
ARCTIC PRINCESS

Sustainability report

Höegh LNG's vision is to be the market leader for floating LNG solutions. Industry leadership cannot be achieved without responsible practices. Höegh LNG conducts its business with zero tolerance for corruption and in compliance with applicable laws and regulations. The group strives for the best achievable safety record and is firmly committed to environmental sustainability and human rights.

In 2018, Höegh LNG maintained its focus on improving risk management and ensuring responsible practices in the group's supply chain. The company also included the chief legal and compliance officer in the group executive team.

Sustainability governance

Corporate responsibility is an individual, managerial and line responsibility in Höegh LNG. All leaders and members of the group are equally responsible for upholding the core values and desired behaviours which are entrenched in the group's code of conduct. This specifies the group's overarching ethical principles on anti-corruption, human rights, fair employment, and health, safety and the environment (HSE).

The code of conduct is supported by a sustainability policy which outlines Höegh LNG's commitment to act as a responsible company by integrating social and environmental considerations in its core business operations. The policy provides a framework for setting clear goals and objectives that enable accountability, monitoring and evaluation of sustainability performance.

Since 2014, Höegh LNG has reported in accordance with the "core" level of the Global Reporting Initiative (GRI) standards. The GRI Index on page 130 refers to where information on the GRI indicators can be found.

Höegh LNG has robust management systems certified in accordance with the International Safety Management (ISM) Code, ISO 9001 and ISO 14001. Höegh LNG's safety management system is also built on the OHSAS 18001 occupational health and safety standard. Key performance indicators (KPIs) on HSE are reported to the board of directors on a quarterly basis.

Stakeholder engagement

Throughout the lifecycle of its business operations, Höegh LNG continuously seeks to minimise the potential negative impact on its stakeholders and the environment in which it operates. The group maintains an open dialogue on business ethics and corporate responsibility topics with its stakeholders and, where necessary, addresses issues and concerns in a fair and transparent manner. 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 and anti-corruption in direct operations and the supply chain, working conditions, health and safety, and the environment. In 2019, Höegh LNG will conduct a new stakeholder consultation process to compare and align the company's priorities with stakeholder perspectives.

The environment

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

All vessels are certified in accordance with ISO 14001[1] to ensure compliance with relevant regulations and consistent management of environmental improvements. Furthermore, all Höegh LNG's FSRUs built after 2012 carry the clean notation, which is a voluntary environmental class notation for ships designed, built and operated to give additional protection to the environment. In addition, they carry the recycling class notation.

During recent years, Höegh LNG has prioritised the streamlining of its internal environmental procedures. After devoting considerable efforts to this, the group is now compliant with the new EU MRV regulations, which require ship owners and operators to monitor, report and verify CO2 emissions annually for vessels larger than 5 000 gross tonnes calling at any EU and EFTA port. All vessels are ready to meet the new IMO regulations on compliant fuels that enter into force in 2020.

Air emissions

While air emissions present regulatory and operational risks for Höegh LNG, reducing them also presents opportunities to cut costs and drive business development.

Vessel operation causes greenhouse gas and 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 in 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. The company anticipates stricter environmental regulation of the maritime industry in coming years. In preparation for this, it launched a new digital platform in 2018 whose purpose includes harvesting big data from the fleet to improve performance and meeting new regulations.

Höegh LNG applies state-of-the-art technology to optimise energy consumption and cost. Since its fleet is mainly powered by electricity generated from natural gas, the vessels emit significantly less CO2 than vessels powered directly by heavy fuel oil or other fossil fuels. Furthermore, compared to vessels that run on refined oil products, such as HFO, natural gas combustion produces negligible emissions of SOx and NOx.

The use of modern technology on Höegh LNG's fleet well equips the group for future environmental regulations, including progressively stricter limits for SOx and NOx emissions.

Each vessel's total fuel consumption is influenced by the charterers' requirements concerning the use of installed regasification capacity on each FSRU, and to a lesser extent by sailing speed and routes. Höegh LNG has therefore adopted ship energy efficiency management plans (SEEMPs) for all vessels, not only to monitor and share fuel consumption data with charterers but also to offer guidance on how to optimise electricity consumption to reduce emissions. Höegh LNG also seeks to utilise all boil-off gas from LNG cargo tanks and constantly pursues energy-saving solutions.

Total CO_2 emissions from the fleet are calculated to be 896 897 tonnes in 2018, compared with 639 699 tonnes in 2017, a 40% increase because Höegh LNG's customers increased their imports of natural gas through the fleet of FSRUs, and because the fleet expanded with two additional FSRUs. 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).

Total energy consumption by the group was 4 695 GWh compared with 3 235 GWh in 2017, which reflects increased activity and increased fleet size.

[1] 2015 version

Fuel type	Consumption (metric tonnes)	Consumption %	SOx emission (metric tonnes)	CO_2 emission (metric tonnes)
Natural gas	285 027	88.81%	Trace (negligible)	783 823
Intermediate fuel oil	21 928	6.83%	1 213	66 282
Marine diesel oil / Marine gas oil	13 971	4.35%	30	44 791
Total 2018	320 925	100%	1 243	896 897

Source: CO_2 conversion factors from the UK **Government emission conversion factors for greenhouse gas company reporting**, 2017 edition version 1.0. These factors are used to convert various types of emissions to CO2 equivalents. They are widely used internationally, and updated annually.

Environmental protection

Höegh LNG is determined to limit any negative impact that its operations might have on marine ecosystems and biodiversity. In these efforts, the group's attention is focused on minimising the risk of spills, discharges of excess biocides and changes to local seawater temperatures when colder seawater is discharged.

For all new FSRU import terminals, 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 government bodies and experts as well as local communities which might potentially be affected. Höegh LNG will comply with all relevant environmental requirements specified in this process.

The group proactively ensures that its fleet is ready to comply with anticipated regulations and rules as well as with client specifications. Since 2011, all new FSRUs with trading capability are 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 on the release of excess biocides as well as IFC World Bank Group guidelines on the release of colder seawater from the LNG regasification process.

Efficient waste, bilge and sludge handling are included in the design of Höegh LNG's vessels. Potential improvements for optimal FSRU operations are developed on the basis of the group's operational experience. All vessels have waste management systems with segregation of fractions on board in accordance with Marpol and local regulations.

Höegh LNG reported no accidental spills or breaches of environmental permits in 2018.

Ship recycling

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

No Höegh LNG vessels were recycled in 2018.

Occupational health and safety

Since some Höegh LNG employees could be exposed to hazardous activities, strict safety and quality standards are at the centre of the group's safety culture.

Höegh LNG's safety culture is built on the aim of causing zero harm to people. All vessel operations are managed 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, the Safety Campaign and conferences ashore.

HSE performance is monitored by top management bi-weekly and reviewed quarterly by the board. No fatalities or lost time incidents (LTIs) were recorded on the vessels in 2018, resulting in an LTI frequency (LTIF) of zero, compared with 0.4 in 2017. This is significantly below the industry average.

Security and preparedness

As Höegh LNG expands into new markets, ensuring the safety of its employees and assets is a priority.

The group has a central security and emergency response function which monitors and manages security risks across the group's activities. Security risk analyses and measures are regularly updated for operational sites and when entering new markets.

Höegh LNG also has an emergency response system which maintains the group's interests and obligations in all circumstances where the safety of personnel, the environment, assets and reputation are threatened, where customer interests may be affected, or where third-party liability could arise.

The crew and ship security officers are trained in security incident management. External security providers are hired by the terminal operator or port authorities and not by Höegh LNG. To ensure adequate and responsible security practices, any third-party supplier which provides security services must confirm its adherence to the "The Voluntary Principles on Security and Human Rights". Höegh LNG has a policy of not using armed guards.

Höegh LNG crews are also trained in handling refugees in accordance with SOLAS and relevant rescue coordination centre (RCC) guidelines.

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

Employees

Höegh LNG had 699 employees at 31 December 2018, compared with 549 in 2017.

The group opposes all forms 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 2018, women accounted for five of 547 maritime personnel and 62 of the 152 onshore employees. The group executive team consists of one woman and seven men.

Maritime personnel

Höegh LNG seeks to recruit and retain competent and qualified personnel and enjoys high retention rates, achieved through years of strategic employee development. The group has 547 specialised maritime personnel. These are employed by Höegh LNG group subsidiaries. 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 close to 100%.

All maritime employees receive a written performance review at the end of each service period, including recommendations for further training and/or promotion. Höegh LNG invests considerable resources in recruiting, training and developing its officers, and in providing them with permanent contracts. The group invests in maritime education and training in countries where maritime personnel are recruited, including specific programmes for cadets.

Onshore personnel

Höegh LNG has 152 onshore employees across Norway, Singapore, the UK, Indonesia, Lithuania, Egypt, the USA, South Korea and Colombia. Annual performance reviews are conducted for every onshore employee in a digitalised appraisal system.

A staff engagement survey was conducted in 2017, and the group dedicated 2018 to follow up and address its findings. Through close consultation with leaders and human resources, the results of the survey were further explored to identify areas for development and improvement. To maintain a high level of employee engagement, Höegh LNG has addressed areas for development such as communication, information-sharing and leadership.

Based on results from the Employee Engagement Survey conducted in 2016, leadership behaviour and skills were identified as an area of improvement. The first Höegh LNG leadership development programme was developed and executed during 2017, the second Höegh LNG Leadership Development Program was completed in 2018. Further organisational development efforts in 2018 focused on succession planning and career development in a more international perspective. Preparing for further growth is also an important consideration at Höegh LNG.

Employee turnover for onshore personnel was 10.9% in 2018. Average sickness absence among employees in the Oslo office was 2% in 2018, compared with 4.1% the year before. With the recent organisational growth in Asia, our current practices for a work environment committee is under evaluation.

Compliance and anti-corruption

With operations worldwide, Höegh LNG faces a variety of local regulations and practices. This requires great attention to ethical behaviour, compliance and risk mitigation.

Corporate culture

A strong corporate culture is a prerequisite for an effective compliance system. Höegh LNG operates with a clear communication of values from the board to management, and from management to the rest of the organisation. Such values are expressed and implemented through written guidance on compliance and ethics training, business-partner risk management efforts and an effective reporting system. In addition, the group's incentive systems for employees includes a compliance component on a yearly basis.

Höegh LNG code of conduct

Höegh LNG's governing documents facilitate compliance with applicable laws, regulations and standards. These documents are entrenched in the group's code of conduct, which was updated in 2018 and approved by the board.

Höegh LNG Anti-Corruption Governance Program

Höegh LNG has zero tolerance for bribery and corruption. Every Höegh LNG employee is responsible for acting in accordance with the code of conduct, and for complying with the laws and regulations of the countries and regulatory authorities where the group operates. The group's compliance officer is responsible for ensuring compliance with the code of conduct and related governing documents. To strengthen continuous leadership focus on anti-corruption, the compliance function (chief legal & compliance officer) was included in the group executive team in 2018.

The board's governance, compliance and compensation committee supports the board in fulfilling its responsibilities with respect to ethics and anti-corruption. The board approves the code of conduct and other relevant policies. All governing documents are subject to review on an annual basis.

The chief legal & compliance officer provides written and verbal reports to the group executive team and the board on status, progress and activities on an ongoing and periodic basis.

All employees are required to complete mandatory training on anti-corruption. This includes face-to face training sessions and e-learning courses. All employees are required to sign the code of conduct and other relevant compliance policies. The board received anti-corruption training in 2017, and a new training course will be conducted in 2019.

Höegh LNG encourages a culture of speaking up, where all employees can report suspected or actual breaches of the code of conduct and governing documents through designated reporting and whistleblowing channels. In 2018, the group established an external whistleblower channel where employees can report incidents anonymously in their own language. All reported incidents are registered with the compliance officer. Reports can be made anonymously, and retaliation is strictly prohibited.

Risk-based anti-corruption approach

Höegh LNG is exposed to a variety of corruption and bribery risks both in relation to obtaining new business and in its ongoing operations, including the need to secure permits and licences to operate. Typical risks include unclear local operating requirements and enforcement, extortion schemes and facilitation payments.

All countries where Höegh LNG has operations are subject to a quarterly high-level corruption risk assessment.

Anti-corruption is also a topic in internal audits, and operations in seven countries were audited in 2018, including one key supplier in five locations.

Höegh LNG performs risk assessments of all new business opportunities, including of new business partners. Based on such risk assessment, business partners may be subject to further due diligence. New customers, joint-venture partners and certain other business partners acting on behalf of Höegh LNG are subject to due diligence processes and board approval prior to any firm commitments. All business partners are required to sign the company's supplier code of conduct.

Maritime anti-corruption network
Beyond its own internal measures, Höegh LNG believes in collective action to achieve ethical and compliance goals. Höegh LNG is a member of the Maritime Anti-Corruption Network (MACN) which provides valuable insights into specific challenges in the maritime industry. As a member, Höegh LNG is committed to implementing the MACN anti-corruption principles.

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.

The group has a supplier code of conduct covering areas such as human rights, labour standards, workplace conditions, health, safety and the environment (HSE), anti-corruption and conflicts of interest. As a general rule, all suppliers, including agents, lobbyists and intermediaries, are required to sign and comply with this code. Exceptions are only permitted in very restricted circumstances and where compelling reasons exist. In such cases, a special assessment of the supplier is conducted. An integrity due diligence may also be performed on certain new suppliers, which are assessed as high risk owing to contract size, risk exposure to corruption and/or the number of sub-contractors. In 2018, eight high-risk suppliers were identified and audited against requirements in the supplier code of conduct and contractual requirements on anti-corruption, in addition to audits performed by Incentra.

Höegh LNG is a member of the Incentra purchasing organisation owned by shipowners and managers. Incentra not only prequalifies suppliers based on standards consistent with Höegh LNG's supplier code of conduct, it also conducts HSE audits and supplier evaluations.

In 2017-18, Höegh LNG introduced changes to the group's procurement system to increase oversight and control of its supply chain. These included a new set of terms and conditions for procurement that contains specific sustainability criteria for products and services. In 2018, the group also devoted significant efforts to further optimise its procurement activities by appointing a dedicated global procurement officer and restructuring the procurement department to improve the emphasis on financial, quality and sustainability aspects in the purchasing process. Höegh LNG will continue to focus on a systematic sustainability approach to its suppliers. The target for 2019 is to include sustainability evaluations in more than 90% of all major sourcing projects, and to conduct audits in accordance with the 2019 audit programme at a total of nine suppliers.

Vessel construction

Vessel construction has environmental impacts, such as waste, spills and the use of materials and hazardous chemicals during the construction process. Yard workers are also exposed to risks relating to unsafe working conditions and violations of labour rights.

Höegh LNG works closely with its shipyards and shipbuilding partners. Safety records are used as criteria for shipyard selection, and provisions in the shipbuilding contracts require the yards to be certified in accordance with ISO 14001, OHSAS 18001, ISO 9001 and ISO 19011. In 2018, Höegh

LNG was actively involved in improving health, safety and labour conditions for all shipyard workers, with a specific focus on forced labour among migrant workers and sub-contractors owing to growing concerns within the industry. In 2018, Höegh LNG also participated in conjunction with the Norwegian Export Credit Guarantee Agency (GIEK) in efforts to monitor working conditions and forced labour risks at the shipyards. These efforts included surveys, audits, and escalation to executive management if identified concerns were not addressed in a satisfactory manner.

Höegh LNG receives reports on HSE performance from shipyards where it has vessels under construction on a monthly basis. To monitor HSE standards closely during construction processes, Höegh LNG ensures that its experienced representatives are present on site during the construction period. When necessary, additional safety measures are requested by Höegh LNG to ensure appropriate working standards. The group is pleased to confirm that no serious injuries (LTIs) were reported for shipyard workers involved in the construction of Höegh LNG's vessels at Samsung Heavy Industries and Hyundai Heavy Industries in 2018.

Höegh LNG's HSE track record at Hyundai Heavy Industries

In November 2018, Höegh Gannet was the seventh and last FSRU delivered to Höegh LNG from Hyundai Heavy Industries (HHI). With this delivery, Höegh LNG's newbuilding programme at HHI reached 54 months of construction without LTIs. As a company, Höegh LNG is proud of this achievement by a very dedicated and professional site team.

Below are the statistics from Höegh LNG's newbuilding programme at HHI:

Unit	LTIs	Fatalities
PGN FSRU Lampung	0	0
Independence	4	0
Höegh Gallant	0	0
Höegh Grace	1	0
Höegh Giant	0	0
Höegh Esperanza	0	0
Höegh Gannet	0	0

Sustainability targets 2019 and results 2018

	AMBITION	2018 TARGETS	2018 PERFORMANCE	TARGETS
Environmental protection	Reduced effluents generated on vessels.	Reduce generation and unnecessary processing of effluents through design optimisation of systems.	Target specified and carried over to 2019.	Sign technical solutions and set plan for upgrade of vessels in 2019.
Emissions to air	Reduce generation of Boil Off Gas caused by operation of cargo and regas systems.	Consumption of fuel in FSRU operation to be kept 10% below the agreed aggregated TCP level.	Consumption 16% below aggregated TCP level.	3% reduction in BOG on FSRUs operating in LNG/C mode.
Security, health and safety	Improve implementation of job risk management processes.	Encourage masters and senior officers to demand proof of completed safety processes before ordering work to start.	Completed in conferences and office visits and when management representatives have visited vessels.	Systematic training of key seafaring personnel to make Risk Assessments effective and to reinforce the Tool Box Talk as a key safety barrier.
Onshore employees	Lead and facilitate the development of leadership skills and individual competencies. Lead and support the organization through change, whilst safeguarding the work environment for our employees.	Continue leadership development. Improve internal communications.	Several actions improving internal communications: - information published online - meetings/ working groups across divisions, geographies and management layers Leadership development program conducted.	Focus on career opportunities, communication, leadership and team development, and working towards a better gender balance. In Q3 2019 a new engagement survey will be conducted and followed up subsequently.
Maritime employees	Develop career growth and leadership skills for senior officers in the Höegh LNG fleet.	Implement a leadership assessment tool for external recruitment, and for internally promoted senior officers to the Höegh LNG fleet.	A total of 15 candidates completed the leadership assessment tool.	Develop a new Career Plan for junior officers within the Höegh LNG fleet.

	AMBITION	2018 TARGETS	2018 PERFORMANCE	TARGETS
Compliance and anti-corruption	A more robust framework which addresses compliance and corruption risks in a holistic, consistent and proportionate manner.	Develop an annual business integrity and compliance plan, which includes anti-corruption campaigns, training, workshops, risk assessments and audits.	The Code of Conduct was updated in 2018 and approved by the board. Training and workshops conducted, but not as extensive as planned.	Finalize an annual business integrity and compliance plan, which includes anti-corruption campaigns, training, workshops, risk assessments and audits.
Supply chain management	Devote attention to compliance, environmental issues and working conditions in the selection, control and follow-up of suppliers.	Strengthen control capacity and level of standardisation in the supply-chain management process.	Control capacity strengthened. Group procurement system restructured to increase controls on its suppliers. A new set of terms and conditions for procurement is in place that includes specific sustainability criteria for products and services.	Enable a systematic sustainability approach towards suppliers. Document that > 90% of major sourcing projects include sustainability as an evaluation criterion. Conduct Supplier Audits in accordance with approved 2019 Audit Programme, in total 9 supplier audits

Höegh Esperanza

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 the company's strong standing in the financial markets.

Höegh LNG Holdings Ltd. is an exempted company limited by shares domiciled and incorporated under the laws of Bermuda and is stock-listed on Oslo Børs (the Oslo stock exchange). The company is subject to Bermudian 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 Oslo Børs' continuing obligations of stock exchange listed companies (the "continuing obligations").

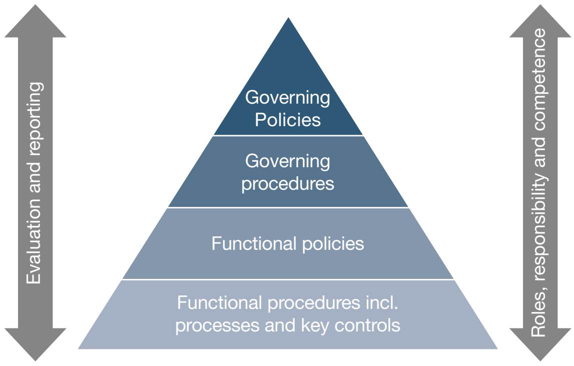
Höegh LNG (the company and its subsidiaries) has adopted and implemented a corporate governance system which, other than as stated in sections 2, 3, 5, 7, 11, 12, 14 and 15 below, complies with the Norwegian code of practice for corporate governance (the "Norwegian corporate governance code") referred to in section 7 of the continuing obligations. The deviations are mainly due to the fact that the company is a Bermudian entity.

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.

1. Implementation and reporting on corporate governance

The foundation of corporate governance in Höegh LNG is set out in the company's bye-laws, in addition to a governing principles policy and the Höegh LNG code of conduct.

The governing principles policy is based on the Norwegian corporate governance code and is approved by the board. The policy identifies the key



governing bodies in Höegh LNG, describes the roles and responsibilities of the governing bodies and functions of the group and 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 are also approved by the general meeting), as well as instructions for both the President & CEO and the group's compliance officer.

Höegh LNG employees, as representatives of the group, are required to adhere to and follow 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 following objectives:

Trust: Good corporate governance shall establish a basis for trust in the board and the management by the shareholders and other stakeholders.

Transparency: Communication with the company's shareholders shall be based on transparency concerning both Höegh LNG's business that are of importance for assessing the company's development and its financial position.

Independence: The relation between the board, the management and the shareholders shall be on an independent basis to ensure that decisions are made on qualified and neutral basis.

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

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

Deviations from the code: None.

2. Business

In accordance with the vision of being the market leader for floating LNG solutions, the board has adopted a strategy where ambitions and priorities are founded on the company's mission to develop, manage and operate the group's assets to the highest technical, ethical and commercial standards, thereby providing value for customers and maximising benefits for shareholders and other stakeholders. The board has further adopted a set of core values which support the vision, mission and decision-making process within the organisation: Höegh LNG is **innovative** and **competent** in finding new business and technical solutions and Höegh LNG is **committed** in developing them. Höegh LNG is also **reliable** and trustworthy in the delivery of its services, which are of high quality.

The company's principle strategy is to continue developing and growing its FSRU business through an enhanced and extended service offering to secure long-term contracts at attractive risk-adjusted returns with counterparties with solid fundamentals and to drive and embrace technological and commercial innovation. The financial strategy is focused on obtaining financing through diversified sources of debt and equity, with equity being in place before making investments and with Höegh LNG Partners as an integral part of the financial platform.

The board evaluates the objectives, strategies and risk profiles continuously and at least yearly.

Since 2014, Höegh LNG has reported in accordance with the Global Reporting Initiative (GRI) standards "core" level. In 2019, Höegh LNG will conduct a new stakeholder consultation process to compare and align the company's priorities with stakeholder perspectives.

The Memorandum of Association and the company's bye-laws are available on the company's website (www.hoeghlng.com / corporate governance – governance documents – other governance documents).

Deviations from the code:
As is common practice for Bermudian-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.

3. Equity and dividends

Capital structure
The issued share capital in the company at 31 December 2018 was USD 772 605.80, consisting of 77 260 580 fully paid common shares, each with a nominal value of USD 0.01. Excluding the 1 211 738 shares held by the company as treasury shares, the number of outstanding shares was 76 048 842.

A total of 2 008 749 options granted to management and key employees were outstanding at 31 December 2018 (following the expiry of 1 652 002 options on 31 December 2018).

The total book equity at 31 December 2018 was USD 787 million. Net of mark-to-market of hedging reserves, the adjusted book equity at 31 December 2018 was USD 830 million.

The board regards the current level of equity and financing as appropriate in view of Höegh LNG's objectives, strategy and risk profile.

Dividend policy

The company intends to pay a regular dividend to support its goal of providing attractive total returns to shareholders. The timing and amount of any dividend payments will depend on market prospects, investment opportunities, current earnings, financial conditions, cash requirements and availability, restrictions in Höegh LNG's debt agreements, the provisions of Bermudian law and other factors.

The company has paid quarterly dividends since March 2015. The board of directors resolved in February 2018 to reduce the quarterly dividend from USD 0.125 per share per quarter to USD 0.025 per share per quarter in response to delays and cancellations of projects under development experienced during 2017. Once greater clarity has been achieved regarding the company's contracted revenue backlog, the board will reconsider the level of quarterly dividend distribution.

Deviations from the code:

Pursuant to Bermudian law and common practice for Bermudian-registered companies, it is not necessary to obtain the general meeting's approval for payment of dividends (bye-laws 37).

Equity issue

The authorised share capital of the company is 150 million shares, as approved by the general meeting in 2012.

Deviations from the code:

– Pursuant to Bermudian law and common practice for Bermudian-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.

– Pursuant to Bermudian law and common practice for Bermudian-registered companies, 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 (bye-laws 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.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment of all shareholders is a core governance principle in Höegh LNG.

The company has only one class of shares and each share confers one vote at the general meeting.

The repurchase of own shares for use in the stock option programme for employees (or, if applicable, for subsequent cancellation) is carried out through Oslo Børs.

In the event of any material transaction between Höegh LNG and a major shareholder (defined as a person/company holding more than five per cent of Höegh LNG'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.

Deviations from the code: None.

5. Shares and negotiability

The common shares of the company are freely transferable, and the company's constitutional documents impose no transfer restrictions on the company's common shares save as set out below.

There have been no incidents were the board has refused the registration of any share transfer.

Deviations from the code:

– Where a transfer of a share in the company 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, bye-laws 14.3 includes a right for the board to decline to register said transfer, or if required, refuse to direct any registrar appointed by the company to transfer any interest in said share. 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

Being a Bermuda registered entity, the general meeting of the company is held annually in Bermuda. The board seeks to ensure that the company's shareholders can participate in the general meeting, either in person or by proxy. In addition, the board ensures that:

- The notice and agenda for the general meetings are distributed 18 clear days / 21 running days, whichever is the earliest, to the shareholders either electronically or on paper. In addition, the documentation is made available on the company's web page and on newsweb.no.
- The resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.
- Any deadline for shareholders to give notice of their intention to attend the meeting in person is set as close to the date of the meeting as possible.
- The members of the board and a member of the nomination committee are present at the general meeting.
- Shareholders are able to vote, either in person or by proxy, on each individual matter, including on each individual candidate nominated for election.

The company's VPS registrar is responsible for the electronic distribution of the general meeting documentation and the administration of attendance slips and proxies.

The shareholders of the company are responsible for making certain key decisions concerning the company's business. These include at 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 directors and members of the nomination committee. Alternate directors are appointed by the board and are not elected by the general meeting. At the annual general meeting, the financial statements are laid before the meeting for information, but under Bermudian law, the shareholders' approval of same are not required.

Bye-laws 19 to 24 set out extensive rules regarding the conduct of general meetings, including in relation to the notice of general meetings, general meetings to be held in more than one place, proceedings, voting, proxies and corporate representatives.

Deviations from the code:

– The chairman of the board is also a member of the nomination committee and represents the nomination committee at the general meeting in lieu of the chairman of the nomination committee.

– Pursuant to bye-law 22.8, the board may select one of its members to chair a general meeting.

7. Nomination committee

The bye-laws provide that the company shall have a nomination committee consisting of three members. A majority of the members shall be independent of the executive personnel of Höegh LNG. Up to two members of the nomination committee may be directors. Neither the President & CEO nor any other executive personnel may serve on the nomination committee.

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 this report is appended to the notice and agenda for the relevant general meeting. The company has made provisions for any shareholder to submit proposals to the nomination committee via the company's website, however, no deadline for proposing candidates have been set.

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 2018. Knudtzon and Homan-Russell are independent of the board and the executive personnel of the company. Homan-Russell represents Tufton Oceanic Limited, which was a large shareholder of the company. Morten W. Høegh is independent of the executive personnel of Höegh LNG and represents the largest shareholder of the company, Leif Höegh & Co Ltd. See presentation of the nomination committee on the company's web site.

Deviations from the code:

– Pursuant to bye-law 19.3, up to two members of the nomination committee may be directors. This is a deviation from the code, which recommends that the majority of the committee should be independent of the board. Currently, only one director is a member of the committee.

– Morten W. Høegh, chairman of the board and member of the nomination committee, has been re-elected to the board and the nomination committee since 2013.

8. Board of directors: Composition and independence

The board and the chairman of the board are elected by the general meeting for a term of two years.[1] The bye-laws provide for the board to consist of not less than two and not more than 12 directors.

The board has established two committees: An audit committee and a governance, compliance and compensation committee.

Currently, the board consist of the following seven directors:

– Morten W. Høegh (born 1973) has served as chairman of Höegh LNG since 2006 and is a member of the company's governance, compliance and compensation committee. Morten W. Høegh is also a director of Höegh Autoliners Holdings AS and Höegh Eiendom Holdings AS. He serves as the chairman of Gard P&I (Bermuda) Ltd. From 1998 to 2000 he worked as an investment banker with Morgan Stanley in London. Morten W. Høegh holds an MBA with High Distinction (Baker Scholar) from Harvard Business School and a Bachelor of Science in Ocean Engineering and Master of Science in Ocean Systems Management from the Massachusetts Institute of Technology. He is a graduate of the Military Russian Program at the Norwegian Defence Intelligence and Security School. Morten W. Høegh is a Norwegian citizen and he resides in the United Kingdom.

– Leif O. Høegh (born 1963) has served as deputy chairman of Höegh LNG since 2006 and is a member of the company's audit committee. Leif O. Høegh is also the chairman of Höegh Autoliners Holdings AS. Leif O. Høegh worked for McKinsey & Company and the Royal Bank of Canada Group. He holds an MA in Economics

[1] The company does not have a corporate assembly.

from the University of Cambridge and an MBA from Harvard Business School. Leif O. Høegh is a Norwegian citizen and resides in Norway.

- Andrew Jamieson (born 1947) has served as a director of Höegh LNG since 2009 and is the chairman of the company's audit committee. Andrew Jamieson is currently serving on the board of directors of GTT (Gaz Transport et Technigaz), Chrysaor Holdings UK and Kerogen Capital Hong Kong. He has vast experience from the energy industry in general and LNG in particular, having been in charge of both the North West shelf project in Australia and Nigeria LNG for a number of years. Andrew Jamieson retired from the Royal Dutch Shell group in 2009 where he had served as Executive Vice President Gas & Projects and Member of the Gas & Power Executive Committee since 2005. From 1999 to 2004 he was Managing Director in Nigeria LNG Ltd and Vice President in Bonny Gas Transport Ltd. Andrew Jamieson has been with Royal Dutch Shell group since 1974 with positions in the Netherlands, Denmark, Australia and Nigeria, and he has been a director on the boards of several Shell companies. Andrew Jamieson holds a Ph.D. degree from Glasgow University and is a Fellow of the Institute of Chemical Engineers and also of the Royal Academy of Engineering. Andrew Jamieson is a citizen of the United Kingdom and resides in the United Kingdom.

- Ditlev Wedell-Wedellsborg (born 1961) has served as a director of Höegh LNG since 2006 and is the chairman of the company's governance, compliance and compensation committee. He is the owner and chairman of Weco Invest A/S, an investment company working out of Copenhagen. Ditlev Wedell-Wedellsborg currently serves as chairman of Magasin du Nord Fonden, Travel House A/S, Weco International A/S and Vind A/S. He is also serving on the board of directors of Höegh Autoliners AS, Donau A/S and Wessel & Vett Holding. Wedell-Wedellsborg is also an advisor to Aequitas Investments Limited. Previously he was a partner in the corporate finance boutique Capitellum and prior to this he held various management positions in the Danish shipping company Dannebrog Rederi A/S. He has also been a consultant with McKinsey & Co. Ditlev Wedell-Wedellsborg holds an MBA from INSEAD, France and a BA in economics from Stanford University. Ditlev Wedell-Wedellsborg is a Danish citizen and resides in Denmark.

- Christopher G. Finlayson (born 1956) has served as a director of Höegh LNG since 2015 and is a member of the company's governance, compliance and compensation committee. He is non-executive chairman of the board of Siccar Point Energy, a non executive director of Swire Pacific Offshore and a director of the board of Lloyds Register Group and he is chairing Lloyds' remuneration committee. Christopher G. Finlayson joined BG Group in 2010. He led BG Group's operations in Europe and Central Asia until 2011 when he became Managing Director of BG Advance and was appointed to the BG Group Board of Directors. He was CEO from 2012 until he left the BG Group in April 2014. Before joining BG, he worked in Royal Dutch Shell for 33 years, including operational management experience from Nigeria, Russia, Brunei, Turkey and the North Sea. Christopher G. Finlayson received a BSc Physics and Geology with First Class Honours from the University of Manchester in 1977. He is a Fellow of the Energy Institute. He is a British citizen and resides in the United Kingdom

- Jørgen Kildahl (born 1963) has served as a director of Höegh LNG since 2016 and is a member of the company's audit committee. Jørgen Kildahl is currently serving on the board of directors of Telenor ASA, eSmart Systems and Ørsted and is a senior advisor in Credit Suisse Energy Infrastructure Partners. Jørgen Kildahl has previously served as a member of the board of management in E.ON SE, and as an Executive Vice President in Statkraft. He has also been a partner in the PR consulting group Geelmuyden

Kiese. Jørgen Kildahl holds a M.Sc. degree from the Norwegian School of Economics and Business Administration (NHH) in Bergen, is a Chartered Financial Analyst, holds an MBA from NHH and has further concluded the Advanced Management Program (AMP176) at Harvard Business School. He is a Norwegian citizen and resides in Germany.

- Steven Rees Davies (born 1974) has served as a director of Höegh LNG since May 2017 and is a member of the company's governance, compliance and compensation committee. Steven Rees Davies is a partner within the Corporate department of Appleby (Bermuda) Limited, Höegh LNG's Bermuda counsel, where he practices in the areas of corporate finance, capital markets, regulation, corporate governance and intellectual property. He also advises on cross jurisdictional corporate transactions and restructurings as well as private and public offerings, placements and introductions to the Bermuda, London and New York stock exchanges, in addition to multinational joint ventures and private equity projects. Steven Rees Davies graduated from Oxford Brookes University with a Bachelor of Laws and from the College of Law, England, with a Postgraduate Diploma in Legal Practice. Steven Rees Davies qualified as an attorney and member of the bar of New York (US Southern District) in 2002 and as a solicitor in England & Wales in 2003 (non-practicing). He was called to the Bermuda Bar in 2008. Steven Rees Davies is a British citizen and resides in Bermuda.

All directors are independent of Höegh LNG's executive personnel and material business contacts. The company's main shareholder, Leif Höegh & Co. Ltd., is represented on the board by Morten W. Høegh, who together with his immediate family are the primary beneficiaries under family trusts which, together with Leif O. Høegh, are indirect shareholders of Leif Höegh & Co. Ltd. The other

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directors are independent of the company's main shareholder. The board does not include executive personnel.

The board held five regular meetings in 2018, with all directors present at four of them and Steven Rees Davies absent from one meeting. The board also held nine interim meetings, with the Bermuda-resident director and/or alternate(s) present.

Name	Title	Shareholding in the company per 31 December 2018	Holding in Höegh LNG Partners LP per 31 December 2018
Morten W. Høegh	Chairman	See Note [1]	See Note [1]
Leif O. Høegh	Director	See Note [1]	See Note [1]
Andrew Jamieson	Director	9 733	16 301
Christopher Finlayson	Director	5 377	-
Ditlev Wedell-Wedellsborg [2]	Director	9 733	-
Jørgen Kildahl	Director	4 924	-
Sveinung J. S. Støhle [3]	President & CEO	137 738	15 915
Steffen Føreid [3]	Interim Chief Financial Officer and CEO/ CFO of Höegh LNG Partners LP	21 805	11 073
Richard Tyrrell [3]	Chief Development Officer	9 215	8 941 [4]
Vegard Hellekleiv [3]	Chief Operations Officer	23 364	
Øivin Iversen [3]	Chief Technical Officer	346	-
Tom Solberg [3]	Chief of Staff	-	-
Camilla Nyhus-Møller [3]	Chief Legal & Compliance Officer	-	-
Ragnar Wisløff [3]	Head of Change & Transformation	See Note [5]	See Note [5]

Notes:

[1] Leif Höegh & Co. Ltd., which is indirectly controlled by Leif O. Høegh and family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries, held a total of 33 159 509 shares, representing 42.92% of the shares in the company and 438 801 common units in Höegh LNG Partners LP as per 31 December 2018. In addition, Aequitas Investments Limited, which is indirectly controlled by Leif O. Høegh and by family trusts under which Morten W. Høegh and his immediate family are primary beneficiaries, holds a total of 930,000 shares, representing 1.20% of the shares in the company. Brompton Cross entities, which are co-investment vehicles for the management of Höegh Capital Partners Limited, indirectly controlled by Leif O. Høegh and by family trusts under which Morten W. Høegh and his immediate family are primary beneficiaries, holds the following ownership interest in the company.

- 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.

[2] In addition, Ditlev Wedell-Wedellsborg owns 15 242 shares in the company through Niki Invest Aps. and 16 210 common units in Höegh LNG Partners LP through DWW Landbrug Aps.

[3] The group executive team have also been granted share options in the company and phantom units in HMLP as further set out in Note 23 to the 2018 annual financial statements.

[4] In addition, Rachel Brask-Tyrrell, related party of Richard Tyrrell, owns 4 126 common units in HMLP.

[5] Ragnar Wisløff owns 23 934 shares in Höegh LNG and 6 692 common units in HMLP through his wholly owned company Fri Agenda AS.

Deviations from the code: None.

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

As recommended by the code, all directors (save for Steven Rees Davies) as well as members of the group executive team hold shares in the company as set out in the table below:

9. The work of the board of directors

The board is responsible for overseeing the management of Höegh LNG, safeguarding the business and implementing sound corporate governance for the group to follow.

The board has authorised Höegh LNG AS to carry out the day-to-day management of Höegh LNG's assets under a management agreement comprising administrative, commercial and technical activities. The board has established and defined the authorities through a delegation authority matrix.

The main responsibilities of the board as well as the framework for proceedings of the board's work are set out in a charter for the board of directors. In general, the board shall approve the strategies, business plans, financial statements and budgets for Höegh LNG.

The board has adopted a specified set of procedures and standards that cover and impose an obligation on individuals that are members of the group executive team and other group roles to secure sound governance and control. The board will also ensure that Höegh LNG protects its reputation in relation to owners, employees, customers and the public.

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.

It is the responsibility of each director to continuously assess whether there exists or there is potential for the creation of a conflict with the interests of the company and the director in question. Existence of a conflict extends to, but is not limited to, matters put before a director involving a personal interest, direct or indirect, financial or otherwise, in the matter.

Circumstances referred to above shall be discussed without undue delay with the chairman of the board. Where a director's employment relationship, or other duties, regularly cause a conflict of interest to occur, and in other special circumstances, there shall be prepared specific guidelines for review by the board that, as far as possible, prevent such conflict of interests from arising.

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 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 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.

Deviations from the code: None.

10. Risk management and internal control

The board is responsible for overseeing that the company has sound internal control and systems for risk management, which are appropriate in relation to the extent and nature of the group's activities.

Risk management
Höegh LNG has a QA and risk management

function, which assists Höegh LNG in achieving its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of enterprise risk and security management, control and governance processes. The function meets regularly with the audit committee. In addition, the group's integrated fleet management company has a separate HSEQ function.

Höegh LNG uses risk management tools based on ISO 31000 Risk Management in relation to both existing and new business. The President & CEO assumes the overall responsibility for enterprise risk management and reports the enterprise risk status to the board of directors on a regular basis. The group has a risk monitoring committee comprising of the group executive team and the VP QA & Risk which has the objective to support business decisions by monitoring the accumulated strategic risk for HLNG, assess risk mitigation measures and the effect of changes and new commitments.

The group has implemented an integrated governing management system ("GMS") to govern its processes for planning, operating and controlling the services rendered. Health (including occupational health), safety and environmental management, and project and security risk management are all included in the GMS. The GMS is certified to ISO 9001:2015 Quality Management Systems and ISO 14001:2015 Environmental Management Systems by an accredited certification body. The GMS is complying with the requirements OHSAS 18001:2008 Occupational health and safety management systems as well as meeting the International Safety Management (ISM) standard.

The board monitor and review the company's risk status regularly. In addition, the audit committee is responsible for assessing and monitoring business and financial risks and overseeing the implemented risk mitigating actions. The governance, compliance and compensation committee is responsible for assessing and monitoring risks related to corporate governance, ethics and compliance, corporate social responsibility (CSR) and remuneration matters and to oversee the risk-mitigating actions, which are implemented.

See also the "Risk and risk management" section in the directors' report included in this annual report and Note 13 "Financial risk management objectives and policies" for further information.

Internal control

The company has in place policies and procedures and an effective system for internal controls over financial reporting which is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) and satisfies the requirements of the US Sarbanes-Oxley Act 404. The process for internal control is supervised by the chief financial officer and comprises an annual process that includes risk assessment, evaluation of whether existing controls are designed and operating as intended, review and testing of the controls' implementation and operational effectiveness, reporting and continuous performance monitoring.

The audit committee provides direction, advice and recommendations to the board on financial reporting, internal controls and auditing matters. The committee is the formal reporting body for internal controls with regard to financial reporting and reviews the year-end testing report.

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

The group has in place ethical hotlines that allows employees, as well as external parties in the case of HMLP, to report any non-compliance issues (anonymously if desired). These reports are received by Höegh LNG's compliance officer in case of the company, and by the chairman of HMLP's audit committee in case of the HMLP.

Deviations from the code: None.

11. Remuneration of the board of directors

Remuneration to the directors of the board totalled USD 330 000 for 2018, which included granting of shares in the company as further set out below.

Each of Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg, Christopher G. Finlayson and Jørgen Kildahl were granted 2 639 shares (worth USD 15 000) and USD 35 000 in cash. The chairman receives the same remuneration as the other directors.

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.

Estera Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of Steven Rees Davies as a director and the services of alternate directors to the company.

In addition, Morten W. Høegh received USD 5 000 as a member of the company's nomination committee.

The company has no pension or retirement benefits for directors.

Deviations from the code:
Morten W. Høegh receives an annual salary of GBP 36 000 from Leif Höegh (U.K.) Limited (a subsidiary of the company) for his part-time employment with said company.

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 compensation and benefits package shall be determined based on an evaluation of the qualifications and competency of the individual employee and shall be designed to be competitive with comparable positions in the market and the achievement of Höegh LNG's corporate goals and operating performance targets.

The company has a stock option scheme in place for members of management and key personnel, with awards currently being made biennially (see Note 23 to the 2018 annual financial statements). 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 stock options.

Further details on remuneration of executive personnel for the current financial year are provided in Note 31 to the 2018 annual financial statements.

Deviations from the code:
As Bermudian entity, the board does not produce a separate statement on the executive personnel's remuneration, and consequently, nor is such a statement submitted to the annual general meeting for consideration as the Norwegian Public Company Act section 6-16a and the Norwegian Accounting Act section 7-31b do not apply to the company.

13. Information and communications

Höegh LNG has a policy of openness regarding reporting information to stakeholders. Periodical reports include quarterly reports and the annual report. All reports are published through stock exchange releases and on the company's website. Important 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 that 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.

Contact with the shareholders is handled by the President & CEO, the CFO and the VP investor relations (IR) and strategy. The aim is 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.
- Höegh LNG publishes half-yearly and interim reports and aims to publish the reports no later than on the 15th day of the second month after the end of the quarter.
- Höegh LNG informs about prospects on a project basis within the various business segments. The following key performance indicators (KPIs) are communicated: Expected unleveraged return, expected EBITDA per year and the expected debt to equity ratio. Höegh LNG does not provide any guidance on expected revenue, net profit or any accounting related information or figures.
- As the proportion of shares registered through nominee accounts is limited compared to the company's total issued shares, the company does not publish a list of beneficial owners.
- Information about financial strategy and external debt are included in the notes to the annual financial statements.
- For overview of notifiable primary insider trades and disclosure of large shareholdings, please be referred to stock exchange notices published through Newsweb.

Deviations from the code: None.

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, including:

- The board will not seek to hinder or obstruct any public bid for the company's activities or shares unless there are particular reasons for doing so.
- In the event of a takeover bid for the company's shares, the board will not exercise mandates or pass any resolutions with the intention of obstructing the takeover bid, unless this is approved by the company's general meeting following the announcement of such a bid.
- The board acknowledges that it has a particular responsibility to ensure that the company's shareholders are given sufficient information and time to form a view of any public offer for the company's shares.
- If an offer is made for a significant and controlling stake of the shares, the board will issue a statement evaluating the offer and will make a recommendation as to whether or not shareholders should accept it.

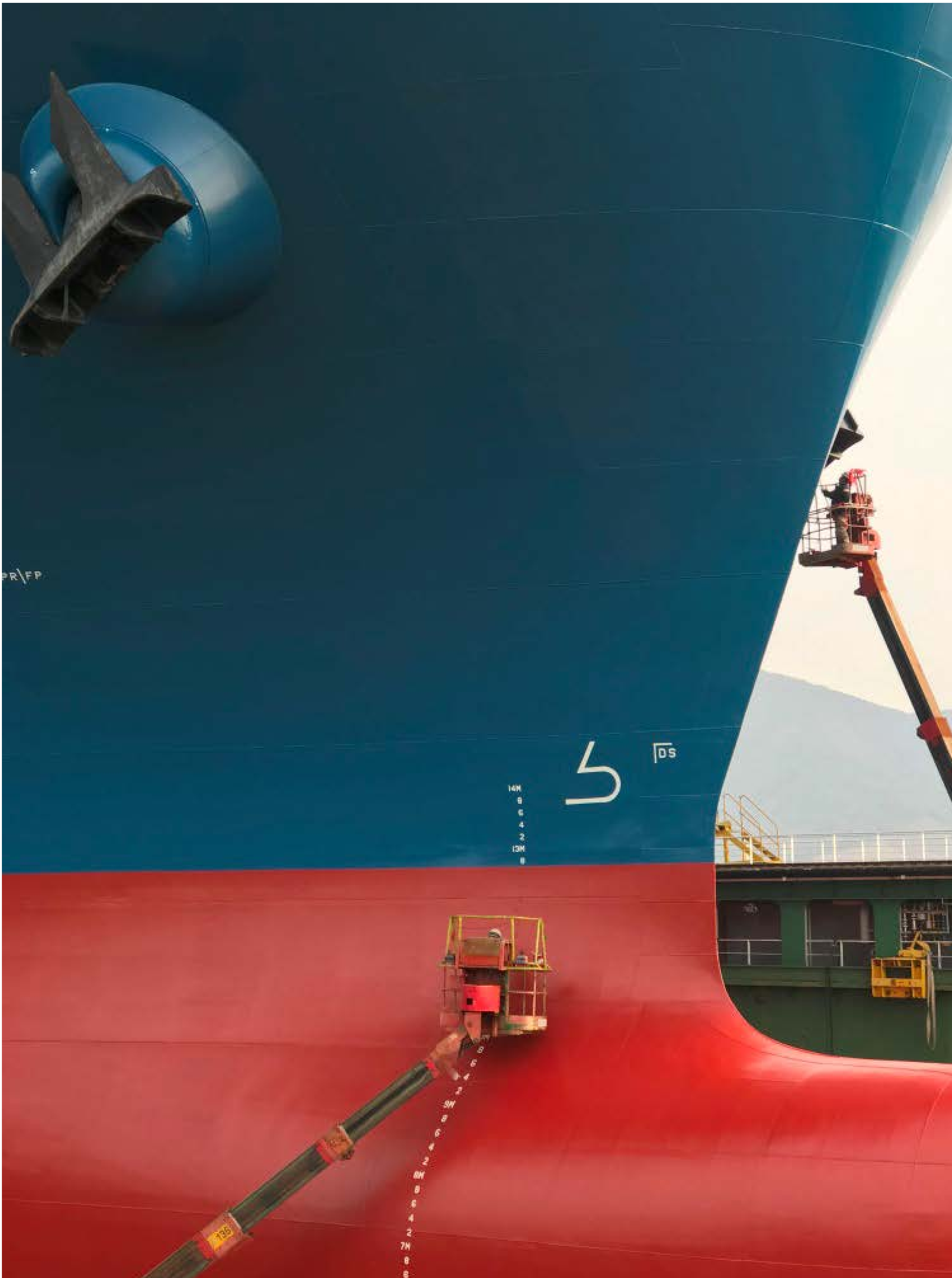
Deviations from the code:
The board has not established explicit guiding principles for dealing with takeover bids.

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 has been Ernst & Young since 2006. Lead partners have been changed in accordance with rotation requirements for publicly listed entities.

In order to safeguard the board's access to 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 access to the agenda of, documentation for and minutes from audit committee and board meetings.

Deviations from the code:
As a Bermudian entity, section 7-31a of the Norwegian Accounting Act does not apply to the company. Hence, the company does not include detailed information on the remuneration paid to the auditor in its financial statements.



Directors' responsibility statement

Today, the board and the President & CEO reviewed and approved the board of directors' report, the corporate social responsibility report, the corporate governance report and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending 31 December 2018 (Annual Report 2018).

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 2018 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 2018 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, 11 April 2019
The board of directors 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

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

Neptune and Arctic Princess

05

Consolidated Financial Statements
Höegh LNG Group
For the year ended 31 December 2018


CTIC PRINCESS
NEPTUNE

CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2018	2017
Time charter revenues	4	332 214	271 048
Management and other income	5	6 482	5 777
Share of results from investments in associates and joint ventures	20	13 966	2 525
TOTAL INCOME		**352 662**	**279 350**
Charter hire expenses	19, 31	(35 332)	(35 496)
Bunker and other voyage related expenses		(3 638)	(668)
Operating expenses	6	(59 282)	(51 612)
Project administrative expenses	7,8	(18 388)	(17 757)
Group administrative expenses	7,9	(20 827)	(17 684)
Business development expenses	7,10	(7 529)	(7 231)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**207 666**	**148 902**
Depreciation	11,29	(55 458)	(42 362)
Impairment	11,29	(9 006)	(380)
OPERATING PROFIT		**143 202**	**106 160**
Interest income		2 780	2 256
Interest expenses	17	(61 376)	(60 656)
Income from other financial items		1 301	3 195
Expenses from other financial items	18	(5 503)	(4 755)
NET FINANCIAL ITEMS		**(62 798)**	**(59 960)**
ORDINARY PROFIT BEFORE TAX		**80 404**	**46 200**
Income taxes	24	(8 396)	(5 148)
PROFIT FOR THE YEAR		**72 008**	**41 052**
Profit for the period attributable to:			
Equity holders of the parent		32 363	18 482
Non-controlling interests		39 644	22 570
TOTAL		**72 008**	**41 052**
Earnings per share attributable to equity holders of the parent during the year:			
Basic earnings per share	22	0.43	0.24
Diluted earnings per share	22	0.41	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2018	2017
Profit for the year		72 008	41 052
Items that will not be reclassified to profit or (loss):			
Net gain (loss) on other capital reserves		437	(50)
Items that may be subsequently reclassified to profit or (loss):			
Net gain on hedging reserves	13	3 298	12 303
Share of other comprehensive Income from associates and joint ventures	13, 20	12 849	10 845
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**16 584**	**23 098**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**88 592**	**64 150**
Total comprehensive income attributable to:			
Equity holders of the parent		42 562	35 076
Non-controlling interests	20	46 030	29 074
TOTAL		**88 592**	**64 150**

The notes on page 57 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
USD'000	Note	2018	2017
ASSETS			
Non-current assets			
Deferred tax assets	24	369	528
Vessels and depot spares	11	1 907 560	1 386 132
Newbuildings under construction	12	88 761	232 998
Investments in associates and joint ventures	20	25 486	-
Other non-current financial assets	30	19 656	25 795
Other non-current assets	29	11 840	22 871
Shareholder loans	31	3 536	3 263
Restricted cash	14	17 925	13 640
Total non-current assets		**2 075 133**	**1 685 227**
Current assets			
Bunkers and inventories		2 726	783
Trade and other receivables	25	54 670	37 697
Marketable securities	15	-	74 022
Other current financial assets	13	7 771	1 390
Restricted cash	14	6 523	6 976
Cash and cash equivalents	14	157 954	152 940
Total current assets		**229 644**	**273 808**
TOTAL ASSETS		**2 304 777**	**1 959 035**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	773	772
Other paid-in capital		554 660	552 333
Capital reserves		(24 844)	(35 139)
Retained earnings		(30 258)	(38 486)
Equity attributable to equity holders of the parent		**500 330**	**479 480**
Non-controlling interests		286 667	225 758
Total equity		**786 999**	**705 238**
Non-current liabilities			
Deferred tax liability	24	10 030	8 301
Non-current interest-bearing debt	16	1 059 506	1 082 246
Investments in joint ventures	20	9 080	35 159
Other non-current financial liabilities	13, 30	10 108	9 165
Deferred revenue		2 033	3 921
Total non-current liabilities		**1 090 757**	**1 138 792**
Current liabilities			
Current interest-bearing debt	16	373 682	73 413
Income tax payable	24	3 611	1 932
Trade and other payables	26	18 358	14 714
Other current financial liabilities	13, 28	9 521	8 465
Other current liabilities	27	21 849	16 481
Total current liabilities		**427 021**	**115 005**
TOTAL EQUITY AND LIABILITIES		**2 304 777**	**1 959 035**

The notes on page 57 to 108 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 11 April 2019

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

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Attributable to equity holders of Höegh LNG Holdings Ltd.							
USD'000	Note	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
At 1 January 2018		**772**	**446 945**	**(12)**	**105 400**	**(32 345)**	**(2 794)**	**(38 486)**	**479 480**	**225 758**	**705 238**
Profit for the year								32 363	32 363	39 644	72 008
Other comprehensive income						10 198			10 198	6 385	16 584
Total comprehensive income		**-**	**-**	**-**	**-**	**10 198**	**-**	**32 363**	**42 562**	**46 030**	**88 592**
Capital contribution from (to) HMLP								352	352	(352)	-
MLP dividend to non-controlling interests									-	(44 318)	(44 318)
Net proceeds from issuance of common units					876	90			966	3 597	4 563
Net proceeds from issuance of Series A Preferred Units										38 659	38 659
Units granted to the board of HLNG		1	90						90	-	90
Units granted to the board of HMLP					34	6			40	160	200
Dividend to shareholders of the parent								(7 604)	(7 604)	-	(7 604)
Share-based payment costs					1 327				1 327	250	1 577
Transfer of assets to HMLP	20							(18 213)	(18 213)	18 213	-
Other changes in equity								1 330	1 330	(1 330)	-
Total other transactions recognised directly in equity		**1**	**90**	**-**	**2 237**	**96**	**-**	**(24 135)**	**(21 712)**	**14 879**	**(6 833)**
At 31 December 2018		**773**	**447 035**	**(12)**	**107 637**	**(22 050)**	**(2 794)**	**(30 258)**	**500 330**	**286 667**	**786 999**
USD'000											
At 1 January 2017		**769**	**445 078**	**(12)**	**105 593**	**(51 059)**	**(2 794)**	**(51 599)**	**445 976**	**150 087**	**596 063**
Profit for the year								18 482	18 482	22 570	41 052
Other comprehensive income						16 594			16 594	6 504	23 098
Total comprehensive income						**16 594**		**18 482**	**35 076**	**29 074**	**64 150**
Capital contribution from (to) HMLP								(290)	(290)	290	
MLP dividend to non-controlling interests										(30 039)	(30 039)
Sale of subsidiaries to MLP						2 115		32 935	35 050	(35 050)	
Issuance of redeemable preferred units in HMLP										110 924	110 924
Net proceeds of equity issuance		3	2 065		(1 978)				90		90
PurchaseAcquisition of treasury shares			(198)						(198)		(198)
Units granted to the board of HMLP					51	5			56	133	189
Dividend to shareholders of the parent								(38 014)	(38 014)		(38 014)
Share-based payment cash settled					(15)				(15)		(15)
Share-based payment costs					1 749				1 749	339	2 088
Total other transactions recognised directly in equity		**3**	**1 867**		**(193)**	**2 120**		**(5 369)**	**(1 572)**	**46 597**	**45 025**
At 31 December 2017		**772**	**446 945**	**(12)**	**105 400**	**(32 345)**	**(2 794)**	**(38 486)**	**479 480**	**225 758**	**705 238**

The notes on page 57 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2018	2017
Cash flow from operating activities			
Profit (loss) before tax for the period		80 404	46 200
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	11, 29	55 458	42 361
Impairment	11, 29	9 006	380
Fair value adjustments on marketable securities	15	(752)	(2 940)
Interest income		(2 780)	(2 113)
Interest expenses	17	61 376	60 655
Net loss (income) on interest rate hedges		(549)	(93)
Share-based payment cost and board remuneration not paid-out	23	1 867	2 352
Share of results from investments in associates and joint ventures	20	(13 966)	(2 525)
Working capital adjustments			
Change in inventories, receivables and payables		(16 302)	(13 655)
Payment of income tax		(3 585)	(1 712)
I) NET CASH FLOW FROM OPERATING ACTIVITIES		**170 177**	**128 912**
Cash flow from investing activities			
Investment in marketable securities	15	-	(155 331)
Proceeds from sale of marketable securities	15	74 774	220 000
Investments in FSRUs, drydocking and newbuildings		(419 542)	(376 966)
Investment in intangibles, equipment and other		(2 116)	(1 928)
Investments in associates	20	(24 750)	-
Interest received		1 911	1 529
Repayment of shareholder loans		(71)	3 956
II) NET CASH FLOW FROM INVESTING ACTIVITIES		**(369 794)**	**(308 741)**
Financing activities			
Gross proceeds from equity issuance	20	43 981	115 000
Transaction cost of equity issuance	20	(758)	(4 076)
Purchase of own shares	21	-	(198)
Dividend paid to non-controlling interest (HMLP)	20	(44 318)	(30 035)
Dividend paid to shareholders of the parent	21	(7 597)	(38 014)
Proceeds from borrowings		375 000	367 560
Payment of debt issuance cost		(7 556)	(4 722)
Repayment of borrowings		(82 788)	(191 103)
Interest paid		(67 500)	(67 824)
Settlement of currency swaps		-	(8 403)
(Increase) decrease in restricted cash		(3 833)	8 239
III) NET CASH FLOW FROM FINANCING ACTIVITIES		**204 630**	**146 424**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**5 013**	**(33 405)**
Current cash and cash equivalents at 1 January		152 940	186 346
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**14**	**157 954**	**152 940**
Guarantees (Interest rate swaps Arctic leases)		45 175	55 582
Undrawn facilities	13	178 000	200 000
The group's share of aggregated cash flows in the group's associates and joint ventures		22 536	2 727

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the "company") is an exempted company limited by shares and incorporated 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 2018 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 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 "HMLP" or the "MLP". In accordance with IFRS 10, the company is deemed to have control over HMLP and its subsidiaries. Based on this assessment HMLP and its subsidiaries are consolidated in the consolidated financial statements of the company.

Information on the group's structure is provided in Note 20. Information on other related party transactions of Höegh LNG are provided in Note 31.

As of 31 December 2018, Höegh LNG operated a fleet of two LNG transportation vessels (LNGCs) and nine floating storage and regasification units (FSRUs) and had one FSRU under construction. The annual accounts for the company and the group for the year ended 31 December 2018 were approved by the board of directors on 11 April 2019.

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 accounting principles for Höegh LNG also apply to the company. Certain notes to the consolidated financial statements will in some cases relate only to the parent company.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and the marketable securities portfolio, which are measured at fair value. The carrying values of recognised assets and liabilities which are designated as hedged items in fair value hedges that otherwise would 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. As a result of rounding differences amounts and percentages may not add up to the total.

The cash flow statement is presented using the indirect method. The income statement is presented by showing expenses by their function. The annual financial statements have been prepared under a going concern assumption.

2.2 New or revised Standards or Interpretations

New standards adopted as at 1 January 2018

It is the group's intention 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 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related interpretations. Under the new standard, an entity must identify performance obligations and the transaction price in a contract and allocate the transaction price to specific performance obligations to recognize revenue when the obligations are completed. The scope of this guidance applies to the allocation of the transaction price to lease elements and non-lease elements.

Effective January 1, 2018, the group adopted the requirements of IFRS 15 to new and existing contracts not yet completed as of January 1, 2018, using the modified retrospective approach where the cumulative effect of initially applying the standard is recorded as an adjustment to the opening balance of equity. There were no changes to the timing or amount of revenue recognized and, therefore, no cumulative effect of initially applying the standard. Additional qualitative and quantitative disclosures are required and have been implemented for reporting periods beginning as of January 1, 2018, while prior periods are not adjusted and continue to be reported under the previous accounting standards. Refer to note 4.

IFRS 9 "Financial instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets and liabilities. This standard replaces IAS 39 "Financial Instruments; Recognition and Measurement" for annual periods beginning on or after 1 January 2018. IFRS 9 is meant to respond to criticisms that IAS 39 is too complex, inconsistent with the way entities manage their businesses and risk and defers the recognition of credit losses on loans and receivables until too late in the credit cycle. The group has applied IFRS 9 retrospectively as of 1 January 2018 and not adjusted the comparative information for the period beginning 1 January 2017. The effect of adopting IFRS 9 is immaterial.

The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise (FVPL), unless restrictive criteria are met for classifying and measuring the asset as either Amortized cost or Fair value through Other Comprehensive Income (FVOCI).

The measurement and classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities at Amortised cost. The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each of the group's financial assets and liabilities as at 1 January 2018:

In USD million	Original classification IAS 39	New classification IFRS 9	Original carrying amount IAS 39	New carrying amount IFRS 9
Financial assets				
Marketable securities	FVPL	FVPL	74.0	74.0
Derivatives in cash flow hedges	FVPL	FVOCI	18.4	18.4
Trade and other financial receivables	Loans and receivables	Amortised cost	49.7	49.7
Cash and cash equivalents	Loans and receivables	Amortised cost	173.6	173.6
TOTAL FINANCIAL ASSETS			**315.7**	**315.7**
Financial liabilities				
Interest-bearing debt	Amortised cost	Amortised cost	1 173.3	1 173.3
Derivatives in cash flow hedges	FVOCI	FVOCI	5.2	5.2
Other financial liabilities	Amortised cost	Amortised cost	5.8	5.8
Trade and other payables	Amortised cost	Amortised cost	14.7	14.7
TOTAL FINANCIAL LIABILITIES			**1 199.0**	**1 199.0**

IFRS 9 replaces the “incurred loss” model in IAS 39 with an Expected credit loss model, which normally result in credit losses being recognized earlier. Credit risk related to the group’s financial assets measured at Amortised cost is immaterial. IFRS 9 also contains new requirements for the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities risk management activities by increasing eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

Standards, amendments and interpretations to existing Standards that are yet not effective and have not been adopted early by the group

IFRS 16 “Leases”
IFRS 16 will replace IAS 17 “Leases” and three related interpretations. The new standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties in a lease i.e. the customer (lessee) and the provider (lessor). The new standard requires that the lessee recognises “right-of-use” asset and liabilities for most leases which is a significant change from current policies. IFRS 16 has not made any significant changes to the accounting for lessors, and the group does not expect any changes for leases where they are acting as a lessor.

The group is planning to adopt IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity. Comparative information is not restated. The group expects to apply the exemptions proposed for assets of low value and short-term leases of less than 12 months.

As of 1 January 2019, the present value of lease obligations related to vessels, office buildings, warehouses and equipment will be capitalized on the balance sheet. Lease expenses previously recognised within operating expenses will be replaced by depreciation and interest expenses.

The group estimates that it will recognise approximately USD 223 million in total assets and liabilities, respectively as at 1 January 2019. The anticipated full year impact in 2019 is that operating expenses will be reduced by approximately USD 37 million and that depreciation charges and interest expense will increase by USD 31 million and USD 10 million, respectively.

There are no other accounting standards that are not yet effective and that would be expected to have a material impact on Höegh LNG in the current or future reporting periods and on foreseeable future transactions.

2.3 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.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2018.

(a) Subsidiaries
Subsidiaries are all entities in which Höegh 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 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 acquirer 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 acquirer'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 arrangements
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 four of its joint agreements to be joint ventures and one to be an associate. Investments in both joint ventures and associates 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.

2.5 Segment reporting

The activities in the group are divided into four operating segments: HMLP, Operations, Business development and project execution and Corporate and other. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance, has been identified as the board of the company.

2.6 Revenue recognition

Revenue are derived from long-term time charter contracts for the provision of LNGCs or FSRUs, including the management and operation of FSRUs at the direction of the charterer. The group determined that its time charter contracts contain a lease and a performance obligation for the provision of time charter services.

The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with IAS 17 "Leases".

The provision of time charter services, including guarantees for the level of performance provided by the time charter contracts, is considered a distinct service and is accounted for in accordance with IFRS 15. The group determined that the nature of the time charter services promised, represents a single performance obligation, to stand ready over a 24-hour interval to accept LNG cargos, to regasify the LNG and discharge the resulting gas into a pipeline in accordance with the charterer's instructions and requirements. If the performance standards are not met, off-hire, reduced hire, liquidated damages or other performance payments may result.

The transaction price is estimated as the standalone selling price for the lease and the time charter services components of the fixed day rate element. Variable consideration per day for operating expense and tax reimbursements is estimated at the most likely amount to which the group is expected to be entitled.

Lease revenue recognition:
Leases are classified based upon defined criteria either as direct financing leases or operating leases. A lease that transfers substantially all of the benefits

and risks of the LNGC or the FSRU to the charterer is accounted for as a financing lease by the lessor. All other leases that do not meet the criteria are classified as operating leases. The lease component of time charters that are accounted for as direct financing leases is recognized over the lease term using the effective interest rate method and is included in time charter revenues.

Time charter services revenue recognition:
Variable consideration for the time charter services performance obligation, including amounts allocated to time charter services, estimated reimbursements for vessel operating expenses and estimated reimbursements of certain types of costs and taxes, are recognized as revenues as the performance obligation for the 24-hour interval is fulfilled, subject to adjustment for off-hire and performance warranties. Constrained variable consideration is recognized as revenue on a cumulative catch-up basis when the significant uncertainty related to that amount of variable consideration to be received is resolved. Estimates for variable consideration, including constrained variable consideration, are reassessed at the end of each period. Payments made by the charterer directly to the tax authorities on behalf of the subsidiaries for advance collection of income taxes directly related to the provision of the time charter services are recorded as a component of time charter service revenues.

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

Contract assets:
Revenue recognized in excess of the monthly invoiced amounts, or accrued revenue, is recorded as contract assets on the consolidated balance sheet. Short term contract assets are reported as a component of Trade and other receivables whereas long term contract assets are reported are components of Other non-current financial assets.

Contract liabilities:
Advance payments in excess of revenue recognized, or prepayments, and deferred revenue are recorded as contract liabilities on the consolidated balance sheet. Contract liabilities are classified as current or non-current based on the expected timing of recognition of the revenue. Current and non-current contract liabilities are reported as components of Other current liabilities and Deferred revenue, respectively.

Refund liabilities:
Amounts invoiced or paid by the customer that are expected to be refunded to the customer are recorded as refund liabilities on the consolidated balance sheet. Refund liabilities may include invoiced amounts for estimated reimbursable operating expenses or other costs and taxes that exceeded the actual costs incurred, or off-hire, reduced hire, liquidated damages, or other payments for performance warranties. Refund liabilities are reported in the consolidated balance sheet as components of Other current liabilities.

2.7 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, most of the vessel operating expenses are reimbursed from the charterer. In such circumstances, the operating expenses are recognised as incurred and the revenue is recognised accordingly.

2.8 Current versus non-current classification

Höegh LNG presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is (i) expected to be realised or intended to be sold or consumed in the normal operating cycle, (ii) held primarily for trading, (iii) expected to be realised within twelve months after the reporting period or (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when (i) it is expected to be settled in the normal operating cycle, (ii) it is held primarily for trading, (iii) it is due to be settled within twelve months after the reporting period or (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The group classifies all other liabilities as non-current.

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

2.9 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.

2.10 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 considers 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 15
- Financial risk management objectives and policies, Note 13

2.11 Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified in the following categories: at amortised cost (including transaction cost), at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI).

Subsequent measurement of financial assets
The subsequent measurement of financial assets depends on their classification. The measurement principles for the relevant categories for the group are described below:

(a) Financial assets at amortised cost
Financial assets are measured at amortised cost if they are held to collect contractual cash flows which are solely payment of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category.

(b) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value in the income statement.

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

(c) Financial assets at fair value through other comprehensive income
The group uses derivative financial instruments such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks related to borrowings. 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.

Trade and other receivables
Trade and other receivables are recognised at fair value and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for the group. 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.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely the same under IFRS compared to IAS, the group's financial liabilities were not impacted by the adoption of IFRS. The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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. Interest-bearing debt is derecognised when its contractual obligations are discharged or cancelled or expire.

Derecognition is also made when terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit and loss.

Derivative financial instruments and hedge accounting
The group applies the new hedge accounting requirements in IFRS prospectively. Derivative financial instruments are accounted for at fair value through profit and loss (FVPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements: there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the group uses derivative financial instruments such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks related to borrowings. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

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. The cost comprises directly attributable cost-plus borrowing cost incurred during the construction period.

a) Depreciation of FSRUs and LNGCs
calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Estimated useful life for FSRUs and LNGCs is 35 years. Certain capitalised elements, like costs related to major classification/dry-docking have a shorter estimated useful life and are depreciated over the period to the next planned dry docking, typically over a period of five to seven years. When second hand vessels are purchased and newbuildings are delivered, a portion of the purchase price is classified as dry-docking costs. Costs of day-to-day servicing, maintenance and repairs are expensed as incurred.

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

b) Newbuildings
FSRUs and LNGCs 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 FSRUs are added to the cost of the vessels, until the vessels are ready for their intended use.

c) Equipment
Investments in office equipment and IT are depreciated over a period of three to five years on a straight-line basis.

Equipment used for FSRU operations, such as jetty topsides and other infrastructure where the FSRU is located, are depreciated either over the contract period or the 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. An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

2.13 Lease accounting
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 are 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, to produce a periodic rate of interest on the remaining balance of the receivable.

2.14 Provisions
Provisions are recognised when Höegh LNG has a present legal or constructive obligation 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.

2.15 Equity
(a) Preferred units
Preferred units in subsidiaries are presented as share-holders equity. For the group, this is presented as non-controlling interests' and the result, equivalent to the preference dividend is presented as the non-controlling interests share of result regardless of whether dividends have been paid or accumulated.

(b) Own equity instruments
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.

2.16 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.

2.17 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, the group assesses whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the 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 of future estimated cash flows from the employment of the asset ("value in use"). To calculate the net present value, an asset specific interest rate is applied based on Höegh LNG's long-term borrowing rate and a risk-free interest rate plus a risk premium for the equity. If the recoverable amount is lower than the carrying value, the asset is impaired to the recoverable amount.

All vessels are considered separate cash generating units and assessed independently. Future cash flows are based on expected charter earnings, estimated operating expenses expected capital expenditures and dry-docking expenses over the remaining useful life of the vessel.

2.18 Share-based payments

Members of the management team and key employees of Höegh LNG partially receive part of 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.

2.19 Indemnification payments and other transfer of assets to HMLP

Indemnification payment and other transfers of assets, generally, do not impact the allocation of profit between non-controlling interests and the equity holders of the company. The non-controlling interests share of indemnification payments are reflected separately in the consolidated statement of changes in equity.

2.20 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.

2.21 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:

- Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights.
- Presentation of preferred unit program in HMLP
- Revenue recognition

Höegh LNG Partners LP ("HMLP")

The company held 46.0% of the units in HMLP at 31 December 2018. 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 20 for additional information. An evaluation of de facto control involves assessing all 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 was based on a 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 2018 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 2018 and there are no material changes in facts and circumstances impacting the conclusion.

Presentation of preferred unit program

HMLP has issued preferred units with a preferential distribution right. The preferred units represent perpetual equity interests in HMLP and, unlike HMLP's debt, does not give rise to a claim for payment of a principal amount at a particular date. The Series A preferred units rank senior to the MLP's common units and subordinated units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up are junior to all of HMLP's debt and other liabilities. Management has assessed the presentation of the preferred unit program for the year ended 31 December 2018. Management concluded that the preferred units are to be classified within equity.

Revenue recognition

The group does not provide stand-alone bareboat leases or time charter services for FSRUs. As a result, observable stand-alone transaction prices for the performance obligations are not available. The estimation of the transaction price for the lease and the time charter service performance obligation is complex, subject to several input factors, such as market conditions when the contract is entered into, internal return objectives and pricing policies, and requires substantial judgment. Significant changes in the transaction price between the lease and the service performance obligation could impact conclusions on the accounting for leases as financing or operating leases. The time charter contracts include provisions for performance guarantees that can result in off-hire, reduced hire, liquidated damages or other payments for performance warranties. Measurement of some of the performance warranties can be complex and require properly calibrated equipment on the vessel, complex conversions and computations based on substantial judgment in the interpretation of the contractual provisions. Conclusions on compliance with performance warranties impacts the amount of variable consideration recognized for time charter services.

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

- Uncertain tax positions
  - Excess boil-off claim under the Neptune and Cape Ann time charter
  - Impairment of Vessels, newbuildings and equipment

Accounting of uncertain tax positions
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.

Excess boil-off claims under the Neptune and Cape Ann time charter
Provisions are recorded for loss contingencies or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. See Note 32 Other contingent liabilities for a detailed description of the excess boil-off claims.

Impairment of vessels, newbuildings and equipment
As outlined in note 2.17 b), the carrying amounts of these assets are tested for impairment whenever there are indications that the value may be impaired. Such impairment assessment calculations demand a high degree of estimation, where management must make complex assessment of expected future cash flows and for which discount rates to use. Changes to these estimates could have a significant impact on the impairments recognised.

Each vessel is regarded as a cash generating unit for the impairment testing. The recoverable amount of each vessel is based on a value-in-use calculation, covering the remaining firm contract, and an extrapolation of expected cash flow over the useful life for each vessel. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. The assump¬tions made are built into different scenarios with different cash flows for each unit. Each of the scenarios are weighted to provide for a recoverable amount for each unit that is a weighted average of all scenarios.

Note 3: Operating segments

The business activities in Höegh LNG are divided into the following operating segments: HMLP, Operations, Business development and project execution and Corporate and other. Höegh LNG's operating segments reflects how the group's chief operating decision maker is assessing the financial performance of the group's business activities and allocates resources to these. Höegh LNG's chief operating decision maker is the group's board of directors. Revenues, expenses, gains and losses arising from internal sales, internal transfer of businesses, group contributions and dividends within the group are not included in the income statements for the segments. Assets and liabilities allocated to the individual segments include FSRUs, newbuildings and interest-bearing debt. Other assets and liabilities are monitored on a consolidated basis for the group.

HMLP

HMLP segment includes the activities managed by Höegh LNG Partners LP, which was established to own, operate and acquire FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. HMLP fleet comprises as at 31 December 2018 ownership interests in five FSRUs, namely (i) a 50% interest in Neptune, (ii) a 50% interest in Cape Ann, (iii) a 100% interest in PGN FSRU Lampung, (iv) a 100% interest in Höegh Gallant and (v) a 100% interest in Höegh Grace.

Operations

The Operations segment is responsible for the commercial and technical management of the group's FSRUs and LNGCs which have not been transferred to Höegh LNG Partners LP. The segment includes the four FSRUs Independence, Höegh Giant, Höegh Esperanza (delivered 5 April 2018) and Höegh Gannet (delivered 6 December 2018) and the LNGCs Arctic Princess and Arctic Lady. The segment comprises revenues and expenses related to FSRUs and LNGCs in operation as well as bareboat hire for Arctic Princess and Arctic Lady and management income for commercial management services paid by joint ventures. The FSRUs are included in the Operations segment on delivery from the yard.

Business development and project execution

The Business development and project execution segment comprises all activities related to business development and project execution, including non-capital expenditure costs related to newbuildings. Expenses relating to new FSRU and LNGC contracts are included until delivery of the vessel and completion of the pre-commencement phase of the commercial contracts. Capitalised costs in the segment relate to the FSRU newbuilding programme.

Corporate and other

The segment includes corporate functions such as group management, group finance, legal and other administrative expense that are not allocated to the other operating segments.

SEGMENT INFORMATION

Income statement USD million	HMLP 2018	HMLP 2017	Operations 2018	Operations 2017	Business development and project execution 2018	Business development and project execution 2017	Corporate and other 2018	Corporate and other 2017	Total 2018	Total 2017
Time charter revenues	152	153	180	118	-	-	-	-	332	271
Management and other income	2	-	5	3	-	3	-	-	6	6
Share of results from investments in associates and JVs	9	(2)	5	5	-	-	-	-	14	3
TOTAL INCOME	**163**	**151**	**190**	**126**	**-**	**3**	**-**	**-**	**353**	**279**
Charter hire expenses	-	-	(35)	(35)	-	-	-	-	(35)	(35)
Bunker and other voyage related expenses	-	-	(4)	(1)	-	-	-	-	(4)	(1)
Operating expenses	(25)	(24)	(32)	(27)	(2)	(1)	-	-	(59)	(52)
Project administrative expenses	(3)	(4)	(11)	(7)	(4)	(7)	-	-	(18)	(18)
Group administrative expenses	(6)	(6)	-	-	-	-	(15)	(12)	(21)	(18)
Business development expenses	-	-	-	-	(8)	(7)	-	-	(8)	(7)
OPERATING PROFIT (LOSS) BEFORE DEPRECIATION AND AMORTISATION (EBITDA)	**129**	**117**	**107**	**56**	**(14)**	**(13)**	**(15)**	**(12)**	**208**	**149**
Assets and liabilities allocated to operating segments as at 31 December										
Tangible assets										
Vessels and newbuildings	801	826	1 106	560	89	233	-	-	1 996	1 619
Liabilities										
Interest-bearing debt	433	476	699	368	-	-	301	310	1 433	1 156

Note 4: Time charter revenues and related contract balances

The effect of initially applying IFRS 15 on the group's revenue from contracts with customers is described in Note 2.2. Comparative information has not been restated to reflect the presentation of revenues after the implementation of IFRS15. The group generates revenue primarily from time charter of FSRUs and LNGCs to its customers. Höegh LNG, including its joint ventures, operates nine FSRUs and two LNGCs. Revenue from Neptune and 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 hire as time charter revenues. Revenue is presented by segment, disaggregated by revenue recognised in accordance with accounting standards for leasing and in revenue from contracts with customers for time charter services.

TIME CHARTER CONTRACTS AS AT 31 DECEMBER 2018

Vessel	Type	Charterer	Country	TCP	Expiry	Option
Arctic Princess	LNGC	Equinor 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	Clearlake Shipping Pte Ltd	Singapore	5 years	May 2020	-
Höegh Giant	FSRU/LNGC	Naturgy Aprovisionamientos SA	Singapore	3 years	February 2021	1 year
Höegh Grace	FSRU	Sociedad Portuaria El Cayao S.A.	Colombia	20 years	December 2036[1]	-
Höegh Esperanza	FSRU/LNGC	CNOOC	China	3 years	June 2021	1 year
Höegh Gannet	FSRU	Naturgy Aprovisionamientos SA	Singapore	15 months	March 2020	-
Accounted for as investments in joint ventures						
Neptune	FSRU	Global LNG Supply S.A.S.	France	20 years	November 2029	5 + 5 years
Cape Ann	FSRU	Global LNG Supply S.A.S.	France	20 years	June 2030	5 + 5 years

The table below specifies the expected bareboat revenues to be received from 1 January 2019 to the end of the firm charter party for Höegh LNG's vessels, except for revenue from Neptune and Cape Ann, which is presented through share of results from investments in joint ventures. Expected future time charter revenue includes Arctic Princess, Arctic Lady, Independence, PGN FSRU Lampung, Höegh Gallant, Höegh Giant, Höegh Grace, Höegh Esperanza and Höegh Gannet. It does not include hire for contracts not commenced as of 31 December 2018. Further, Höegh Grace is included with the minimum lease term of 10 years.

EXPECTED FUTURE BAREBOAT INCOME – UNDISCOUNTED

USD'000	< 1 year	1 to 5 years	> 5 years	Total
TOTAL	**240 123**	**708 718**	**785 967**	**1 734 808**

In 2018, Höegh LNG had four customers (four in 2017), which individually accounted for 10% or more of total revenues. Time charter revenue from these customers totalled USD 247.6 million (USD 216.6 million in 2017). The single largest customer in Höegh LNG represented 25% of total time charter revenues (20% in 2017). The four customers in 2018 individually contributing 10% or more of total time charter revenues were:

[1] The initial term of the lease is 20 years. The charterer has an unconditional option to cancel the lease after 10 and 15 years. The non-cancellable lease period is thus 10 years.

- AB Klaipédos Nafta
- Egyptian Natural Gas Holding Company
- PT PGN LNG Indonesia
- Sociedad Portuaria El Cayao S.A.

Disaggregation by nature of time charter revenues by segment for 2018

USD'000	HMLP 2018	Operations 2018	Total 2018
Lease revenues	77 466	111 330	188 796
Time charter service revenues, excluding amortization	74 761	66 817	141 578
Amortization of deferred revenue for dry-docking	47	1 794	1 841
TOTAL TIME CHARTER REVENUES	**152 274**	**179 940**	**332 214**

Time charter service revenues for Operations includes present value in remaining contractual commitments under the suspension and settlement agreement with EGAS (USD 34.7 million). This agreement covers the difference in revenue between the original FSRU contract and the new FSRU/LNGC contract. The revenue recognition will not have any cash flow effects as EGAS continue to pay monthly under the amended contract structure, however it will result in lower future reported revenues for this contract.

Disaggregation of time charter revenue by geographical area

The group's FSRUs and LNGCs operate on long-term contracts, where the charterer controls the choice of locations or routes to be served by the FSRUs/LNGCs, and the economic factors of a geographical region where the vessels are located would not impact revenues due under time charter contracts. Disaggregation of revenues by geographical region is therefore not meaningful. The group's risk and exposure related to uncertainty of revenues or cash flows related to its long-term time charter contracts relate primarily to the credit risk associated with the individual charterers. Payments are due under time charter contracts regardless of the demand for the charterers' gas output or utilisation of the vessel.

Receivables, contract assets and contract liabilities

USD'000	31 Dec 2018	1 Jan 2018
Trade receivables for lease, included in Trade and other receivables	4 089	19 103
Trade receivables for time charter services, included in Trade and other receivables	11 854	8 292
Contract assets, included in Trade and other receivables	27 013	-
Contract assets, included in Other non-current financial assets	8 293	-
Contract liabilities, included in Other current liabilities	1 881	6 187
Contract liabilities, included in Deferred revenue	688	782

The consolidated trade receivables and contract balances included in the table, exclude the balances for the Joint venture FSRUs, which is consolidated based on the equity method.

Contract assets included in Trade and other receivables are mainly related to the short-term portion of the revenue earned but not invoiced on the EGAS contract. The long-term portion is included in Other non-current financial assets. Contract liabilities included in Other current liabilities are related to invoiced revenue to be refunded to charterers for estimated reimbursable costs or performance related payments.

There were no impairment losses for lease or service receivables or contract assets for the 12 months ended 31 December 2018.

Note 5: Management fees and other income

Höegh LNG's commercial fees and technical management fees are mainly related to the LNGCs and the FSRUs owned by the group's joint ventures.

MANAGEMENT FEE AND OTHER INCOME

USD'000	2018	2017
Commercial and technical management fees	4 449	2 921
Other income [1]	2 033	2 856
TOTAL	**6 482**	**5 777**

[1] Other income in 2018 includes recognition of insurance proceeds (2017: reimbursement of costs according to the cost sharing agreement for the LNG terminal project in Pakistan).

Note 6: Operating expenses

USD'000	2018	2017
Crew salaries	20 473	16 297
Employer's contribution	4 107	3 943
Other social costs	2 022	1 977
Crew cost under project phase	1 793	593
TOTAL CREW COST	**28 394**	**22 810**
Services	4 901	4 154
Spare parts and consumables	9 655	9 410
Insurance	3 867	3 374
Ship management and other expenses	12 464	11 864
TOTAL	**59 282**	**51 612**

Note 7: Salaries and personnel cost

USD'000	Note	2018	2017
Salaries		16 835	14 879
Benefits employees		585	376
Bonus		3 177	1 471
Pension expenses		977	845
Share based payment expenses	23	1 629	2 122
Other social expenses		3 035	1 568
TOTAL SALARIES AND PERSONNEL EXPENSES		**26 239**	**21 261**
Allocated to Group administrative expenses	9	11 087	8 892
Allocated to Business development expenses	10	3 215	3 109
Allocated to Project administrative expenses	8	11 936	9 259
NUMBER OF OFFICE EMPLOYEES[1]		**152**	**115**

[1] The company incorporated an office in Manila in 2018 (24 employees).

Norwegian employers are obliged to have an occupational pension scheme for their employees under the Norwegian Act on Mandatory Occupational Pension Schemes. The pension plans for the group's Norwegian employees comply with the requirements of this Act. 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 membership fees to defined contribution plans according to local statutory requirements. The group's legal or constructive obligations for these plans are limited to the contributions.

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, Philippines, Colombia and the UK.

USD'000	Note	2018	2017
Total salaries and personnel expenses	7	11 936	9 259
Consultants/lawyers		7 148	9 560
Remuneration board members in subsidiaries		55	53
Office expenses		676	959
Travel related expenses		1 208	1 325
Other		353	345
Overhead distribution	9	4 779	3 348
Reclassified to operating expenses		(6 149)	(5 208)
Directly attributable cost capitalized as investments in newbuildings		(1 620)	(1 884)
TOTAL		**18 388**	**17 757**

Höegh LNG's costs related to technical services are 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 expenses of general functions, such as IT and HR, is distributed to Project administrative expenses and Business development expenses are based on headcount.

USD'000	Note	2018	2017
Total salaries and personnel expenses	7	11 087	8 892
Consultants/lawyers		10 261	7 637
Remuneration board members in subsidiaries		883	797
Office expenses		2 862	2 442
Travel related expenses		600	595
Other		753	934
Overhead distribution	8, 10	(5 619)	(3 613)
TOTAL		**20 827**	**17 684**

Note 10: Business development expenses

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

USD'000	Note	2018	2017
Total salaries and personnel expenses	7	3 215	3 109
Consultants/lawyers		1 811	2 220
Office expenses		412	436
Travel related expenses		1 042	838
Other		208	176
Overhead distribution	9	840	451
TOTAL		**7 529**	**7 231**

Note 11: Vessels and depot spares

VESSELS, DRY-DOCKING AND DEPOT SPARES, ACQUISITION COST AND ACCUMULATED DEPRECIATION

USD'000	2018	2017
Cost at 1 January	1 499 332	1 212 469
Acquisitions of vessels and dry docking	575 254	287 578
Disposals	-	(715)
COST AT 31 DECEMBER	**2 074 586**	**1 499 332**
Accumulated depreciation and impairment at 1 January	(113 200)	(72 735)
Depreciation charge for the year	(53 826)	(40 800)
Impairment	-	(380)
Disposals	-	715
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER	**(167 026)**	**(113 200)**
NET CARRYING AMOUNT AT 31 DECEMBER	**1 907 560**	**1 386 132**

VESSELS, DRY-DOCKING AND DEPOT SPARES, NET CARRYING AMOUNT PER ASSET CLASS

USD'000	31 Dec 2018	31 Dec 2017
Vessels	1 893 464	1 375 984
Dry-docking	12 800	8 667
Depot spares	1 296	1 481
TOTAL	**1 907 560**	**1 386 132**

DEPRECIATION CHARGES PER ASSET CLASS

USD'000	Note	2018	2017
Vessels		49 959	37 867
Dry-docking		3 867	2 933
Equipment	29	1 632	1 562
TOTAL		**55 458**	**42 362**

Depreciation methods and estimated useful lives for the asset classes are described in Note 2.

When there are indicators that carrying amounts may not be recoverable, investments in long-lived assets need to be reviewed for impairment. Based on the development of the share price compared to the group's equity (price/book <1), the group has tested its investments in vessels for impairment. The testing did not identify any required impairment.

Cash flows were discounted using a WACC in the range between 6.3% and 7.4% on a pre-tax basis. The following assumptions have been made for the WACC:

- The equity risk premium is based on data extracted from Bloomberg
- For the risk-free rate, the group is using the US 10-year treasury yields as the basis for calculations
- The debt margin used is based on an assessment of the cost of providing long-term funding given the current market outlook and current company risk profile and contract structure
- For estimating beta, the group have used an adjusted Oslo Benchmark Index based on monthly data retrieved from 30 September 2011 and onwards

The recoverable amount for each vessel would be particularly sensitive to changes in the discount rate, assumptions used for cash flows and weight given to each of the scenarios. An increase of the WACC by 2.3% would not require an impairment. The group make assumptions on redeployment of vessels after contemplated end of current contract. An additional one-year before redeployment of vessels in the weighted scenarios would not lead to impairment. Similarly, a further rate reduction of 10% from the weighted scenario on the same vessels would not require an impairment.

Note 12: Investments in newbuildings

Höegh Esperanza was delivered from the yard on 5 April 2018, and Höegh Gannet on 6 December 2018. At year-end 2018 the group had one FSRUs under construction at Samsung Heavy Industries (FSRU#10), with scheduled delivery mid-2019.

NEWBUILDINGS UNDER CONSTRUCTION – NET CARRYING AMOUNT

USD'000	**2018**	**2017**
Carrying amount at 1 January	232 998	129 678
Capitalized borrowing costs	13 312	13 600
Yard instalments and other capitalized costs	416 655	374 565
Newbuildings delivered during the year	(574 205)	(284 845)
CARRYING AMOUNT AT 31 DECEMBER	**88 761**	**232 998**

Further information on capital commitments is given in Note 19.

Note 13: Financial risk management objectives and policies

Capital Management

The objective of Höegh LNG's capital management is to ensure that the group is sufficiently capitalised and to maximise shareholders' return. 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 is listed on the Oslo Stock Exchange and has a Master Limited Partnership listed on the New York Stock Exchange, providing direct access to the U.S. equity capital market.

Höegh LNG monitors its capital structure considering 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 includes the debt listed in Note 16, series A preferred units in HMLP (see Note 20), paid in equity and all other equity reserves attributable to the equity holders of the parent and the non-controlling interest holders in HMLP.

The shares of and the bonds issued by the company are listed on the Oslo Stock Exchange. As of 31 December 2018, total equity was USD 787 million (USD 705 million). Net of mark-to-market of hedging reserves the adjusted book equity was USD 829 million (USD 763 million), bringing the adjusted equity ratio to 36% (39%). 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 reflects the solidity of the group.

ADJUSTED EQUITY RATIO

USD'000	31 Dec 2018	31 Dec 2017
Total equity adjusted for hedging	829 705	763 136
Total assets adjusted for hedging	2 304 778	1 946 475
EQUITY RATIO ADJUSTED FOR HEDGING	**36%**	**39%**

Financial Risk

The group is in the ordinary course of its business activities exposed to different types of financial risks, including market risk (interest- and currency risk), credit risk and liquidity risk. Appropriate procedures and policies for determining, mitigating and monitoring these risk exposures have been established. To mitigate financial market risks, the group primarily applies hedging instruments, which are well-understood, conventional instruments issued by financial institutions with solid credit rating.

Currency risk

Currency risks arise from business transactions, capitalised assets and liabilities denominated in currencies other than the reporting currency. Most the group's business transactions, capitalised assets and liabilities are denominated in USD. The major part of the group's revenues is in USD. However, the group also has revenues in other currencies, including Euro (EUR), Egyptian Pounds (EGP) and Indonesian Rupees (IDR). The group incurs operating, administrative and tax expenses in various currencies including EUR, GBP, EGP, IDR, Singapore dollar (SGP), Colombian Pesos (COP), Philippine pesos (PHP) and Norwegian Kroner (NOK), of which NOK represents the largest exposure. In 2018, NOK denominated administrative expenses totalled approximately NOK 315 million (USD 38 million). As of 31 December 2018, Höegh LNG held 91% of total current cash in USD, 7% in NOK and the remaining mainly in EUR, COP, SGP and GBP.

Interest rate risk
The group's interest-bearing debt is subject to floating interest rates. In line with the group's policy, the exposure to interest rate fluctuations has been mitigated by entering into fixed interest-rate swap agreements for all current loan agreements. Interest rates have been swapped for the length of the debt facility, except for 5 vessels financings that have been swapped for the length of the charter contract for the relevant vessel. As of 31 December 2018, the net mark-to-market valuation of the interest rate and currency swaps was USD 5.9 million (USD 13.2 million in 2017). Net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 49.2 million (USD negative 62.1 million in 2017).

MARK-TO-MARKET OF HEDGING INSTRUMENTS

USD'000	**31 Dec 2018**	**31 Dec 2017**
Hedging instruments presented as non-current financial assets	10 677	17 024
Hedging instruments presented as current financial assets	7 771	1 390
Hedging instruments presented as non-current financial liabilities	(9 202)	(2 102)
Hedging instruments presented as current financial liabilities	(3 305)	(3 091)
Hedging instruments in joint ventures	(49 247)	(62 096)
NET MARK-TO-MARKET OF CASH FLOW AND FAIR VALUE HEDGES	**(43 306)**	**(48 875)**

The group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments. The group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness. The effective part of changes in the fair values of interest rate swaps and the interest element of cross currency interest rate swaps are recognised in Other comprehensive income. Changes in the value related to the ineffective portion of these swaps are recorded over the income statement. An increase in the floating interest rate of 20 basis points (0.2%) would impact Other comprehensive income positively by approximately USD 12 million through the mark-to-market valuation of interest rate swaps and the cross-currency interest rate swaps entered into, including Höegh LNG's shares of interest rate swaps in joint venture companies.

FINANCIAL ASSETS

USD'000	**31 Dec 2018**	**1 Jan 2018**
Total carrying amounts of derivatives	18 447	18 415
Change in fair value of designated hedging instrument	34	
Change in fair value of designated hedged item	(34)	
NOTIONAL AMOUNT	**1 207 392**	
Maturity date	Multiple	Multiple
Hedge ratio	1:1	1:1

FINANCIAL LIABILITIES

USD'000	31 Dec 2018	1 Jan 2018
Carrying amounts of interest rate swaps	8 188	11050
Carrying amount of forward foreign currency exchange contracts	4 318	(5 855)
Total carrying amounts of derivatives	12 506	5 195
Change in fair value of designated hedging instrument	7 311	
Change in fair value of designated hedged item	(7 311)	
NOTIONAL AMOUNT	**1 358 451**	
Maturity date	Multiple	Multiple
Hedge ratio	1:1	1:1

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due.

USD'000	HLNG	HMLP	Total
Cash and cash equivalents	131 594	26 360	157 954
Revolving credit facility	39 292	(39 292)	-
Total liquidity 31 December 2018	170 886	(12 932)	157 954
Debt facility for FSRU # 10	178 000	-	178 000
Increased leverage Höegh Giant, Höegh Esperanza and FSRU # 10 facilities	87 000	-	87 000
Revolving credit facility	-	63 000	63 000
TARGETED AVAILABLE LIQUIDITY	**435 886**	**50 068**	**485 954**
Capital commitment FSRU # 10	178 000	-	178 000
Capital commitments Höegh Esperanza, Höegh Gannet and LNGC conversion	18 000	-	18 000
Remaining capital commitment Avenir	18 000	-	18 000
TOTAL OUTSTANDING CAPITAL COMMITMENT, PAYABLE < 1 YEAR	**214 000**	**-**	**214 000**

Total targeted available liquidity at 31 December 2018 was USD 486 million, which includes USD 158 million in current cash and cash equivalents and USD 178 million from the debt financing facility for FSRU#10, which is still subject to finalisation of documentation. When certain conditions relating to long-term employment of Höegh Giant, Höegh Esperanza and FSRU#10 are met, the available amount under the respective financing facilities may be increased by up to USD 29 million, USD 30 million and USD 28 million, respectively. As a subsequent event, Höegh LNG Partners signed and made draw down on a new debt facility for Höegh Grace and Höegh Gallant, which includes an undrawn revolving credit facility of USD 63 million.

Höegh LNG signed an FSRU shipbuilding contract with Samsung Heavy Industries in January 2017 for FSRU #10, which has a scheduled delivery date in mid-2019 with a remaining capital commitment of USD 178 million. In addition, there are remaining capital expenditures related to other vessels of around USD 18 million. At 31 December 2018, total remaining capital expenditures relating to these commitments were about USD 196 million, including yard payments, project expenses, finance costs and contingencies of which the vast majority falls due by mid-2019. Höegh LNG has further made an investment commitment to Avenir LNG Limited for up USD 42.75 million, of which USD 18 million is outstanding and expected to fall due in 2019.

The table below reflects the maturity profile of Höegh LNG's interest-bearing debt and the timing and size of the estimated interest payments.

MATURITY PROFILE ON INTEREST-BEARING DEBT AT 31 DECEMBER 2018

USD'000	< 1 year	1-5 years	> 5 years	Total
Instalments on mortgage debt and unsecured bonds	374 718	702 639	378 019	1 455 375
Estimated interest on mortgage debt and unsecured bonds [1, 2]	74 669	181 991	127 777	384 436
TOTAL	**449 387**	**884 629**	**505 795**	**1 839 811**

[1] The amounts do not include estimated interest on the issued redeemable preferred units, as the preferred units are classified as equity in the consolidated statement of financial position.
[2] Incudes the new USD 385 million debt facility to refinance Höegh Gallant and Höegh Grace. See note 33 for more details.

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

MATURITY PROFILE ON FINANCIAL DERIVATIVES AT 31 DECEMBER 2018

USD'000	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in subsidiaries	4 465	974	502	5 941
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(14 822)	(44 576)	(47 518)	(106 916)
TOTAL	**(10 356)**	**(43 602)**	**(47 017)**	**(100 975)**

The fair value of existing interest-bearing loans and borrowings totalling approximately USD 1 455 million will be repaid through the cash flow generated from existing assets within Höegh LNG and refinancing.

Financial obligations are subject to re-financing. The USD 130 million bond has maturity in 2020 and the NOK 1 500 million bond in 2022. The mortgaged financing has the following maturities:

- The financing for Cape Ann, Neptune and Höegh Giant matures in 2022
- The commercial and the ECA tranche on the financing for Independence matures in 2020 and 2026, respectively
- The commercial and the ECA tranche on the financing for PGN FSRU Lampung matures in 2021 and 2026, respectively
- The commercial and the ECA tranche on the financing for Höegh Esperanza matures in 2023 and 2030, respectively
- The commercial and the ECA tranche on the financing for Höegh Gannet matures in 2023 and 2030, respectively
- Both the commercial and the ECA tranche on the financing for Höegh Gallant matures in 2026
- The commercial and the ECA tranche on the financing for Höegh Grace matures in 2026 and 2028, respectively

If no refinancing of the commercial tranches takes place, lenders under the ECA tranche may require early repayment. Financial obligations relating to Arctic Princess and Arctic Lady are not subject to any refinancing and will be fully amortised during the length of the underlying lease agreements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial agreement or charter contract, leading to a financial loss. Risk management procedures are in place to minimise this risk. The FSRUs and LNGCs are chartered out to creditworthy counterparties or to projects of high strategic importance to the country in which they operate, and charter hires are normally payable monthly.

Cash funds are deposited with internationally recognised financial institutions with a high credit rating. Höegh LNG has not provided any guarantees for third parties' liabilities (reference is made to Note 19), and the maximum exposure to credit risk is thus represented by the carrying amount of each financial asset in the balance sheet, including financial derivatives, totalling USD 267 million.

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	
USD'000	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Financial instruments at fair value through other comprehensive income				
Marketable securities	-	74 022	-	74 022
Derivatives in cash flow hedges	18 448	18 415	18 448	18 415
Total	**18 448**	**92 437**	**18 448**	**92 437**
Loans and receivables at amortised cost				
Trade and other receivables	54 670	37 697	54 670	37 697
Shareholder loans	3 536	3 262	3 536	3 262
Other non-current receivables	8 979	8 771	8 979	8 771
Total	**67 185**	**49 730**	**67 185**	**49 730**
Cash and cash equivalents				
Non-current restricted cash	17 925	13 640	17 925	13 640
Cash and cash equivalents (including short-term restricted cash)	164 477	159 916	164 477	159 916
Total	**182 403**	**173 556**	**182 403**	**173 556**
TOTAL CURRENT SHARE	226 918	273 026	226 918	273 026
TOTAL NON-CURRENT SHARE	41 118	42 697	41 118	42 697

USD'000	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017	Fair value 31 Dec 2018	Fair value 31 Dec 2017
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	11 798	3 935	11 798	3 935
Ineffective portion of cash flow hedges	709	1 258	709	1 258
Total	**12 507**	**5 193**	**12 507**	**5 193**
Other financial liabilities at amortised cost				
Trade and other payables	18 358	14 714	18 358	14 714
Other financial liabilities	29	5 755	29	5 755
Interest-bearing loans and borrowings	1 455 375	1 173 337	1 444 597	1 181 080
Total	**1 473 761**	**1 193 806**	**1 462 983**	**1 201 549**
TOTAL CURRENT SHARE	**395 345**	**91 218**	**395 345**	**91 218**
TOTAL NON-CURRENT SHARE	**1 090 923**	**1 107 781**	**1 080 145**	**1 115 524**

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 recognized at their carrying amounts, largely due to the short-term maturities of these instruments
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities
- The bonds issued by the company are listed on the Oslo Stock Exchange, and the fair values of these are disclosed based on traded information
- 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 at 31 December 2018:

ASSETS

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Derivatives used for hedging		10 677		10 677
TOTAL ASSETS	**-**	**10 677**	**-**	**10 677**

LIABILITIES

USD'000	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bonds	299 853			299 853
Mortgage debt		1 144 743		1 144 743
Derivatives used for hedging				
Derivatives in effective cash flow hedges		12 507		12 507
TOTAL LIABILITIES	**299 853**	**1 157 250**	**-**	**1 457 104**

The table below presents fair value measurements of Höegh LNG's assets and liabilities at 31 December 2017:

ASSETS

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Marketable securities		74 022		74 022
Derivatives used for hedging		18 415		18 415
TOTAL ASSETS	**-**	**92 437**	**-**	**92 437**

LIABILITIES

USD'000	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bonds	300 824			300 824
Mortgage debt		880 256		880 256
Derivatives used for hedging				
Derivatives in effective cash flow hedges		5 194		5 194
TOTAL LIABILITIES	**300 824**	**885 450**	**-**	**1 186 274**

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 group's portfolio of marketable securities, as part of the portfolio's instruments is not directly observable. 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 2018 and 2017, there were no transfers between any of the levels.

Note 14: Unrestricted and restricted cash

CURRENT CASH AND CASH EQUIVALENTS PER CURRENCY

	31 Dec 2018		31 Dec 2017	
	Exchange rate	Carrying amount	Exchange rate	Carrying amount
Currency		USD'000		USD'000
US Dollars (USD)	1.00	143 077	1.00	140 247
Norwegian Kroner (NOK)	8.69	11 076	8.21	7 867
British Pounds (GBP)	0.78	631	0.74	787
Euro (EUR)	0.87	708	0.83	1 896
Egyptian Pounds (EGP)	17.97	1 137	17.82	428
Singapore Dollar (SGD)	1.36	861	1.34	496
Colombian Pesos (COP)	3 249.75	161	2 982.12	845
Other		304		374
TOTAL		**157 954**		**152 940**

Of the USD 143.1 million, USD 60 million is placed in a short-term deposit.

CURRENT RESTRICTED CASH

USD'000	31 Dec 2018	31 Dec 2017
Hoegh LNG Colombia S.A.S, payroll related	12	14
Höegh LNG Ltd., escrow account	521	13
PT Hoegh LNG Lampung, debt service	5 991	6 949
TOTAL	**6 523**	**6 976**

As at 31 December 2018, USD 6.5 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 are 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 following other debt service requirements.

NON-CURRENT RESTRICTED CASH

USD'000	31 Dec 2018	31 Dec 2017
PT Hoegh LNG Lampung, debt service	13 124	13 639
Hoegh LNG Gannet Pte.Ltd, debt service	4 800	-
Höegh LNG Ltd., EGP restricted cash	1	1
TOTAL	**17 925**	**13 640**

Non-current restricted cash of USD 13.1 million relates to the project financing of PGN FSRU Lampung whereof Höegh LNG is required to hold amounts equal to six months' debt service deposited in an escrow account. USD 4.8 million in restricted cash equals three months' debt service required to be held in escrow under the Höegh Gannet facility.

Note 15: Marketable securities

Corporate cash held within Höegh LNG is comprised of shipbuilding reserves earmarked to pay yard instalments, strategic reserves that can be called upon with short notice and cash to pay for general corporate services. Corporate excess liquidity within the group has since 2011 been managed by Höegh Capital Partners AS (HCP AS) through an Asset Management Mandate consisting of a treasury portfolio with both NOK and USD exposures and an FX hedging policy. Since HCP AS un-winded all their client services in 2018, Höegh LNG chose to place excess cash into short term deposits (STD).

STD amounted to USD 60 million as of 31 December 2018 (See Note 14).

The marketable securities have been classified as held for trading investments and measured and presented at their fair values.

RECONCILIATION, MARKETABLE SECURITIES

USD'000	**2018**	**2017**
Market value of securities at 1 January	74 022	135 751
Change in fair value and gain/loss on realisation	752	2 940
Transfer of funds to portfolio	-	155 331
Withdrawal of funds from portfolio	(74 774)	(220 000)
TOTAL	**-**	**74 022**

Note 16: Interest-bearing debt

The tables below present Höegh LNG's carrying amount of interest-bearing debt by non-current and current portions, and the maturity schedule for the total interest-bearing debt.

INTEREST-BEARING DEBT AT 31 DECEMBER 2018

USD'000	Non-current	Current	Total
Independence	160 077	15 248	175 325
Bond issues (HLNG2 and HLNG3)	302 642	-	302 642
Höegh Gallant [1]	-	140 597	140 597
Höegh Grace [1]	-	163 563	163 563
Höegh Giant	158 833	12 707	171 540
PGN FSRU Lampung	117 022	19 062	136 084
Höegh Esperanza	178 125	12 500	190 625
Höegh Gannet	163 958	11 042	175 000
Debt issuance cost	(21 151)	(1 036)	(22 187)
TOTAL	**1 059 506**	**373 682**	**1 433 188**

[1] The refinancing of the USD 412 million facility was completed 31 January 2019 and total interest-bearing debt for Höegh Gallant and Höegh Grace is therefore presented as current liability per 31 December 2018. Refer to Note 19 disclosing more information on the refinancing.

INTEREST-BEARING DEBT AT 31 DECEMBER 2017

USD'000	Non-current	Current	Total
Independence	175 325	15 248	190 573
Bond issues (HLNG2 and HLNG3)	312 815	-	312 815
Höegh Gallant	140 597	13 146	153 743
Höegh Grace	163 563	13 250	176 813
Höegh Giant	171 540	12 707	184 247
PGN FSRU Lampung facility	136 084	19 062	155 146
Debt issuance cost	(17 678)	-	(17 678)
TOTAL	**1 082 246**	**73 413**	**1 155 659**

MATURITY SCHEDULE, INTEREST-BEARING DEBT

USD'000	Currency	Due in year 1	Due in year 2	Due in year 3	Due in year 4	Due in year 5 and later	Total
Independence facility	USD	15 248	76 293	15 248	15 248	53 287	175 325
Höegh Grace facility	USD	163 563	-	-	-	-	163 563
Höegh Gallant facility	USD	140 597	-	-	-	-	140 597
PGN FSRU Lampung facility	USD	19 062	19 062	29 801	14 886	53 273	136 084
Höegh Esperanza facility	USD	12 500	12 500	12 500	12 500	140 625	190 625
Höegh Giant facility	USD	12 707	12 707	12 707	133 420	-	171 540
Höegh Gannet facility	USD	11 042	11 042	11 042	11 042	130 833	175 000
Bond issues	USD/NOK	-	130 000	-	172 642	-	302 642
INTEREST-BEARING DEBT OUTSTANDING		**374 718**	**261 604**	**81 297**	**359 738**	**378 019**	**1 455 375**
Debt issuance cost							(22 187)
TOTAL INTEREST-BEARING DEBT							**1 433 188**

NET INTEREST-BEARING DEBT

USD'000	31 Dec 2018	31 Dec 2017
Interest-bearing debt, current and non-current	(1 433 188)	(1 155 659)
Restricted cash, non-current	17 925	13 640
Cash and marketable securities	164 477	233 938
NET INTEREST-BEARING DEBT	**(1 250 786)**	**(908 082)**

NET DEBT RECONCILIATION

	Other assets		Liabilities from financing activities		
	Cash/bank overdraft	Liquid investments[1]	Borrowings due in 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2018	173 556	74 022	(73 413)	(1 082 247)	(908 082)
Cash flows	8 847	(74 022)	(301 305)	17 674	(348 806)
Other non-cash movements	-	-	-	6 103	6 103
NET DEBT AS AT 31 DECEMBER 2018	**182 403**	**-**	**(374 718)**	**(1 058 470)**	**(1 250 786)**

[1] Liquid investments comprise investments in financial assets held at fair value through profit or loss.

INTEREST-BEARING DEBT IN THE CONSOLIDATED ENTITIES

	Independence	PGN FSRU Lampung	Höegh Grace/ Höegh Gallant	Höegh Giant	Höegh Esperanza	Höegh Gannet
First repayment date	11.08.2014	29.12.2014	30.04.2019	29.09.2017	29.05.2018	28.02.2019
Drawdown date	08.05.2014	17.04.2014	31.01.2019	26.04.2017	05.04.2018	06.12.2018
Amount drawn under the facility (USD'000)	242 000	225 000	383 000	190 600	200 000	175 000
Type of financing	ECA/ commercial banks	ECA/ commercial banks	ECA/ commercial banks	Commercial Banks	ECA/ commercial banks	ECA/ commercial banks
Blended Tenor on the debt (years)	10	11	7	5	10	10
Blended profile on the debt (years)	16	12	15	15	16	16
Blended fixed all-in rate	5.5%	6.4%	4.9%	3.7%	4.0%	5.0%

INTEREST-BEARING DEBT IN JOINT VENTURE COMPANIES

	Neptune	Cape Ann
First repayment date	30.07.2010	30.07.2010
Drawdown date	30.11.2009	01.06.2010
Amount drawn under the facility USD'000	297 000	300 000
Type of financing	Commercial Banks	Commercial Banks
Blended Tenor on the debt - years	12	12
Blended profile on the debt - years	20	20
Blended Fixed all-in rate	5,9 %	5,9 %

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 2018, the total debt related to these lease facilities amounted to USD 110 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. About 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%, which is increased to 27.5% when dividend is paid, and a minimum free cash position being the higher of USD 35 million and 5% of funded indebtedness. HMLP must 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 2.5 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 sale of shares cease to own (directly or indirectly) at least 1/3 of the shares in Höegh LNG Holdings Ltd.

Höegh LNG complied with all its covenants for the year ended 31 December 2018.

Note 17: Interest expenses

USD'000	**2018**	**2017**
Interest expense, mortgage debt	51 044	45 199
Interest expense, bonds	10 325	15 126
Other interest expenses	7	331
TOTAL	**61 376**	**60 656**

Interest costs on bonds of USD 13.3 million was in 2018 capitalised as part of the acquisition cost of the group's FSRUs under construction (USD 13.6 million in 2017).

Note 18: Expenses from other financial items

USD'000	**2018**	**2017**
Currency loss	1 286	1 140
Withholding taxes	2 673	2 513
Other financial expenses	1 544	1 102
TOTAL	**5 503**	**4 755**

Note 19: Commitments and guarantees

FSRU newbuilding programme

Remaining capital commitments relating to the FSRU newbuilding program amounted to approximately USD 196 million at year-end 2018, which is payable within one year. The commitments include yard payments, project expenses, finance costs and contingencies. See Note 13, under the section Liquidity risk, on how the remaining capital commitments are planned to be financed.

FSRU #10

The company has obtained commitments for an up to USD 206 million senior secured sale and leaseback facility, which is currently subject to documentation. The company will provide a corporate guarantee for the credit facility. A customary security package will be provided by the group upon delivery of the vessel from the yard.

The group has provided a security package under each credit facility which is customary for this type of financing, except for Neptune FSRUs.

The company has also guaranteed all existing swap agreements except the interest rate swaps related to the PGN FSRU Lampung financing.

Höegh Gannet
An USD 200 million senior secured credit facility agreement for the financing of Höegh Gannet was entered into on 14 October 2018, under which USD 175 million drawn at delivery of the vessel from yard in December 2018. The company has provided a corporate guarantee for the credit facility.

Höegh Esperanza
A USD 230 million senior secured credit facility agreement for the financing of Höegh Esperanza was entered into on 13 November 2017, under which USD 200 million was drawn when the vessel was delivered from yard in April 2018. The company has provided a corporate guarantee for the credit facility.

Höegh Giant
An USD 223 million senior secured credit facility for the financing of Höegh Giant was entered into on 21 March 2016, under which USD 190.6 million was drawn when the vessel was delivered in April 2017. The company has provided a corporate guarantee for the credit facility.

Independence
In November 2012, Höegh LNG Ltd. (as borrower) entered into a USD 250 million facility agreement fully guaranteed by the company under which USD 242 million was drawn when the vessel was delivered in May 2014. Höegh LNG Ltd. has guaranteed the obligations of Höegh LNG Klaipeda UAB under the charter with the customer, Klaipedos Nafta.

Höegh Grace and Höegh Gallant (owned by HMLP)
HMLP refinanced the debt on Höegh Grace and Höegh Gallant on 31 January 2019 under a USD 385 million senior secured credit facility. HMLP made a draw-down of USD 320 million and have a revolving credit facility tranche of USD 63 million available under the facility. HMLP has provided a corporate guarantee for the credit facility and further guaranteed the obligations of its subsidiaries under the agreements entered into with the charterer, Sociedad Portuaria El Cayao S.A.

The company has guaranteed the payment of hire by Höegh LNG Egypt LLC to HMLP, to the extent Höegh LNG Egypt LLC is unable to draw under the established bank guarantee and for certain limited force majeure events. Further, the company has granted HMLP an option to lease the vessel back to Höegh LNG Ltd. for five 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.

PGN FSRU Lampung (owned by HMLP)
The company has after the sale of the PGN project to HMLP in August 2014, continued to be responsible for certain guarantees in relation to the USD 299 million facility agreement for the financing of PGN FSRU Lampung with Hoegh LNG Lampung Pte. Ltd. including: (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, operation 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. The company has guaranteed the obligations of PT Höegh LNG Lampung under the lease, operation and maintenance agreement with the customer, PT PGN LNG Indonesia.

Neptune FSRUs (owned by HMLP)

SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. (together the "SRV JG companies") are accounted for according to the equity method, see Note 20. Under the loan agreements for the financing of Neptune and Cape Ann, the company remains the guarantor for 50% of any dry-docking costs and remarketing efforts in case of an early termination of each of the TCPs for the two FSRUs entered into by the respective SRV JG companies.

Höegh LNG Ltd. 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 Princess and Arctic Lady

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 50.00% ownership, respectively (see Note 20). The LNGCs are further bareboat chartered to Leif Höegh (U.K.) Limited, a wholly owned subsidiary of Höegh LNG Ltd. As of year-end 2018, Leif Höegh (U.K.) Limited has remaining charter commitments for the two LNGCs of approximately USD 256 million, as specified in the table below. The Arctic Lady lessor completed its contractual right to perform a credit/security review as per 12 April 2016 (10 years after delivery) and required additional security in the form of a USD 20 million letter of credit (100% basis). The letter of credit was initially issued in April 2017 and will be renewed on a yearly basis until 12 April 2026.

The below table shows amounts based on full hire. The remaining hire payable adjusted for Höegh LNG's ownership in the JVs, is USD 145.4 million (USD 165.8 million in 2017).

BAREBOAT HIRE TO BE PAID ON A 100% BASIS

USD'000	31 Dec 2018	31 Dec 2017
Within one year (See Note 31)	35 290	35 332
Between one and five years	140 656	140 820
More than five years	79 825	114 795
TOTAL	**255 771**	**290 946**

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. A similar, although different case has been tested in UK courts and a final judgement was issued in favour of HMRC in August 2015. The lessees have subsequently 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 with the lessor and the time charterer.

Höegh LNG Partners LP – indemnifications

In connection with the sale of assets to HMLP, 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, the commercial and financial agreements and vessel operation, the latter being i.e. against certain environmental and toxic tort liabilities (claims must be submitted within five years following the closing date and for 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 HMLP before commencing operation under its commercial agreement (charter). The company was in 2018 reimbursed by HMLP net USD 0.7 million (net payment in 2017 of USD 0.5 million) under the said indemnities. 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 134, 0277 Oslo, Norway.

FX swaps

To hedge part of its exposure to NOK denominated administration expenses, the company buys NOK and sells USD when the USDNOK passes pre-defined thresholds. The position is at the same time reversed in a swap that will be settled or brought forward, depending on the exchange rate, 3-8 months later. As per 31 December 2018, the company had swapped NOK 80 million with settlement dates during first half of 2019.

Note 20: Investment in associates, joint ventures and subsidiaries

Höegh LNG had ownership in four joint ventures and one associate at year-end 2018, all accounted for according to the equity method. The associate and joint ventures have share capital consisting solely of ordinary shares.

ASSOCIATES AND JOINT VENTURES IN HÖEGH LNG

Company	Registered office	Country	Principal activity	Ownership in % 31 Dec 2018	31 Dec 2017
Joint Gas Ltd.	Georgetown	Cayman Islands	Shipowning	33.98	33.98
Joint Gas Two Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Two Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
Avenir LNG Limited	Hamilton	Bermuda	Shipowning	22.50	-

Joint Gas Ltd. is leasing Arctic Princess under a 25 years financial lease agreement. Joint Gas Two Ltd. is leasing Arctic Lady under a 25 years financial lease agreement. Reference is made to Note 19 for further information.

SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. own and operate the FSRUs Neptune and Cape Ann, both leased to Global LNG Supply S.A.S

The associate, Avenir LNG Limited, has four small-scale LNG carriers currently under construction at Keppel Singmarine in Nantong, China, and the LNG terminal and distribution facility under development in the Italian port of Oristano, Sardinia. Avenir LNG Limited plans to source and ship LNG to the terminal using small LNG carriers, and distribute the LNG in trucks and through regasification into the local gas grid.

CHANGE IN CARRYING VALUE OF ASSOCIATES AND JOINT VENTURES DURING THE YEAR

USD'000	2018	2017
At 1 January	(35 159)	(48 530)
Share of profit	13 966	2 525
Other comprehensive income	12 849	10 845
Investment in Avenir LNG Limited	24 750	-
AT 31 DECEMBER	**16 405**	**(35 159)**
Included in non-current assets	25 486	-
Included in non-current liabilities	(9 080)	(35 159)

The negative balances to the investments in two of the group's joint ventures are mainly due to the negative mark-to-market valuations of interest rate derivatives in these entities. The associate and joint venture companies, except for Avenir LNG Limited, are privately owned and there are no quoted market prices available for the shares. The investment in Avenir LNG Limited has at 31 December 2018 a book value of USD 24.5 million and the company's part of the net result for 2018 amounted to USD (0.2) million.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE GROUP'S JOINT VENTURES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.	
USD'000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Time charter revenues	17 812	17 913	17 520	17 583	44 516	43 911	41 829	40 171
Operating expenses	(81)	(113)	(78)	(277)	(9 533)	(9 724)	(12 330)	32 471
EBITDA	17 731	17 800	17 442	17 306	34 983	18 187	29 499	(7 533)
Depreciation	(6 085)	(6 085)	(6 058)	(6 058)	(13 201)	(13 028)	(11 123)	(10 870)
Interest income	-	-	-	-	284	78	-	-
Interest expenses	(6 685)	(7 049)	(5 722)	(6 075)	(13 167)	(13 842)	(13 327)	(14 073)
PROFIT FOR THE YEAR	**4 960**	**4 665**	**5 215**	**4 819**	**8 881**	**(8 624)**	**5 181**	**50**
Other comprehensive income	5 314	4 528	5 093	4 226	8 325	7 127	8 667	7 261
TOTAL COMPREHENSIVE INCOME	**10 274**	**9 193**	**10 308**	**9 045**	**17 206**	**(1 497)**	**13 848**	**7 311**

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

CONDENSED STATEMENT OF FINANCIAL POSITION AT YEAR-END FOR THE GROUP'S JOINT VENTURES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.	
USD'000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Assets								
Cash and cash equivalents	17 128	13 287	17 998	13 829	10 543	5 715	2 405	2 385
Other current assets	3	41	57	107	4 506	5 481	6 672	4 342
TOTAL CURRENT ASSETS	**17 131**	**13 328**	**18 055**	**13 936**	**15 049**	**11 196**	**9 078**	**6 727**
Vessel	117 242	123 327	118 287	124 345	265 158	278 256	260 164	259 994
Other non-current assets	-	-	-	-	12 456	12 361	13 185	12 893
TOTAL NON-CURRENT ASSETS	**117 242**	**123 327**	**118 287**	**124 345**	**277 614**	**290 617**	**273 350**	**272 887**
TOTAL ASSETS	**134 373**	**136 655**	**136 342**	**138 281**	**292 664**	**301 813**	**282 428**	**279 614**
Liabilities								
TOTAL CURRENT LIABILITIES	**11 524**	**12 114**	**10 722**	**11 439**	**41 000**	**43 410**	**32 417**	**29 612**
Non-current interest-bearing debt	122 782	130 338	123 132	130 566	203 733	216 525	207 208	220 169
Other non-current liabilities	23 749	28 159	16 781	20 878	50 030	61 183	45 042	45 921
TOTAL NON-CURRENT LIABILITIES	**146 531**	**158 497**	**139 913**	**151 444**	**253 763**	**277 708**	**252 250**	**266 090**
TOTAL LIABILITIES	**158 056**	**170 611**	**150 636**	**162 883**	**294 762**	**321 118**	**284 667**	**295 702**
Net assets	**(23 682)**	**(33 956)**	**(14 294)**	**(24 602)**	**(2 098)**	**(19 305)**	**(2 240)**	**(16 088)**

CONDENSED FINANCIAL INFORMATION FOR THE GROUP'S JOINT VENTURES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.	
USD'000	2018	2017	2018	2017	2018	2017	2018	2017
NET ASSET AT 1 JANUARY	**(33 956)**	**(43 149)**	**(24 603)**	**(33 648)**	**(19 305)**	**(17 808)**	**(16 088)**	**(23 399)**
Profit (loss) for the period	4 960	4 665	5 215	4 819	8 881	(8 624)	5 181	50
Other comprehensive income	5 314	4 528	5 093	4 226	8 325	7 127	8 667	7 261
NET ASSET AT 31 DECEMBER	**(23 682)**	**(33 956)**	**(14 295)**	**(24 603)**	**(2 099)**	**(19 305)**	**(2 240)**	**(16 088)**
Ownership (in %)	33.98	33.98	50.00	50.00	50.00	50.00	50.00	50.00
Group adjustment vessel values	2 493	2 137	3 627	3 104	1 933	900	1 172	236
CARRYING VALUE	**(5 554)**	**(9 401)**	**(3 521)**	**(9 198)**	**884**	**(8 753)**	**52**	**(7 808)**

The negative fair values of the cash flow hedges in Höegh LNG's joint ventures are all recorded as part of the investments in the joint ventures, which results in two of the investments being net liabilities.

CONDENSED FINANCIAL INFORMATION FOR AVENIR LNG LIMITED

USD'000	1 October to 31 December 2018
NET ASSETS AT 1 OCTOBER	**87 833**
Profit (loss) for the period	(894)
Private placement	11 000
NET ASSET AT 31 DECEMBER	**97 939**
Ownership (in %)	22.50
Group adjustment values [1]	2 513
CARRYING VALUE	**24 549**

[1] Allocated to the LNG terminal and distribution facility

SUBSIDIARIES AT 31 DECEMBER 2018

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
Höegh LNG Ltd.	Bermuda	Holding	100		
Höegh LNG AS	Norway	Management		100	
Höegh LNG Fleet Management AS	Norway	Ship management		100	
- Höegh LNG Fleet Management AS UK branch		Ship management		100	
Höegh LNG Services AS	Norway	Management		100	
- Höegh LNG Services ROHQ	Regional office Manila	Management		100	
Leif Höegh (U.K.) Limited	England	Ship management		100	
Hoegh LNG Asia Pte. Ltd.	Singapore	Business development		100	
Hoegh LNG Shipping Services Pte. Ltd.	Singapore	Ship Management		100	
Hoegh LNG Maritime Management Pte. Ltd.	Singapore	Ship management		100	
Port Dolphin Energy LLC	USA	Dormant		100	
Port Dolphin Holding Company, LLC	USA	Dormant		100	
Höegh FLNG Ltd.	Bermuda	Dormant	100		
Hoegh LNG Giant Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Gannet Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Klaipeda, UAB	Lithuania	FSRU operation		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 FSRU VI Ltd.	Cayman Islands	Shipowning		100	
Höegh LNG Chile SpA	Chile	Dormant		100	
Hoegh LNG Klaipeda LLC	Marshall Islands	Dormant		100	
Hoegh LNG Pakistan Holding Pte. Ltd.	Singapore	Dormant		100	
Hoegh LNG Pakistan Terminal Pte. Ltd.	Singapore	Dormant		100	
Höegh LNG Partners LP [1]	Marshall Islands	Holding			54.05
Common units			6.33		
Subordinated units			39.62		
Total Höegh LNG Partners LP			45.95		54.05

[1] HMLP is a US listed partnership based on the Marshall Islands.
The company's holding of 46.39% consists of 39.96% 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.

COMPANIES IN HMLP AS AT 31 DECEMBER 2018

Company	Country	Principal activity	Proportion of ordinary shares held by parent
Höegh LNG Partners LP	Marshall Islands	Parent company/holding	
Subsidiaries			
Höegh LNG Partners Operating LLC	Marshall Islands	Holding	100
Höegh LNG Services Ltd.	England	Management	100
Hoegh LNG Lampung Pte. Ltd.	Singapore	Holding	100
PT Hoegh LNG Lampung [2]	Indonesia	Shipowning	49
Höegh LNG FSRU III Ltd.	Cayman Islands	Holding	100
Hoegh LNG Cyprus Limited	Cyprus	Shipowning	100
Hoegh LNG Cyprus Limited - Egypt branch		Shipowning	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
Joint ventures			
SRV Joint Gas Ltd.	Cayman Islands	Shipowning	50
SRV Joint Gas Two Ltd.	Cayman Islands	Shipowning	50

[2] Höegh LNG consolidates PT Hoegh LNG Lampung as it controls all 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 from the IPO were USD 203.5 million. Following the IPO, Höegh LNG's ownership in the partnership was reduced from 100% to 58.04%.

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 58.04% to 46.39%.

On 5 October 2017 HMLP issued 4 600 000 preferred units, including exercise of underwriters' option of 600 000 units in a public offering. The preferred units represent a perpetual interest in the partnership and ranks before both common and subordinated units. From February through November 2018, HMLP has issued 1 529 070 preferred units as dividend under the ATM program, bringing the total to 6 129 070 preferred units per 31 December 2018.

The distribution of the preferred units is fixed at 8.75% per annum based on a cost of USD 25 per unit, payable on a quarterly basis (15 February, 15 May, 15 August and 15 November). The preferred units represent an equity instrument. The fundamental characteristics of the preferred units are not considered to be a financial liability. The preferred units do not provide for a redemption on a specific date and the preferred units do not satisfy the definition of a financial liability. The substance of the contractual arrangements for the preferred units is in substance an equity instrument. The preferred units do not have any voting rights but have been granted a right to appoint one of the general partners appointed members of the board of directors in the event dividend is in arrears by an amount equal to six quarterly payments. The rights are protective in nature and is contingent on HMLP failing to pay distributions to the preferred unit holders, payments that takes priority to all other distributions. As such we do not consider those rights as being substantive as of now. Consequently, no change in the control assessment with regards to consolidation of the HMLP into the group accounts of Höegh LNG Holdings Ltd. Net proceeds from the issuance of preferred units amounted to USD 38.7 million in 2018 (USD 110.9 million in 2017) and increased the equity for the group (non-controlling interests).

The preferred units are entitled to a share of the HMLP's result, capped at 8.75% of the cost of a unit, USD 25, per year. The cumulative preferred units shall be allocated their share of profit before further allocations are made, equal to the dividend and irrespective of HMLP's profit.

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 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 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 in 2018. The issuance of the preferred units has been deemed not to have any impact on the conclusion. It has been concluded that Höegh LNG has de-facto control over HMLP also after the issuance of preferred units.

The summarised financial statements of HMLP prepared in accordance with IFRS are presented below. The tables include transactions and balances towards other companies within Höegh LNG. The figures are not directly comparable with the consolidated financial statements for HMLP sub-group, as these are based on US GAAP and for certain assets and liabilities have deviating acquisition dates.

On 1st October 2015, the company sold Höegh Gallant to HMLP in a dropdown transaction. The sales contract granted HMLP an option to lease the vessel back to Höegh LNG Ltd. from the date of termination or expiry of the lease and maintenance agreement (LMA) and until 31 July 2025 (with no option to extend), at a rate equal to 90% of the daily LMA rate plus any incremental taxes or operating expenses because of such charter. The option must be exercised before expiry of the charter with EGAS. Management consider it likely that the option will be utilized and have made a provision for the net present value of the obligation (net of estimated future TC hire) as a long-term liability in the statutory accounts of Höegh LNG Ltd. Transfer of assets, generally, do not, impact the allocation of profit between non-controlling interest and the equity holders of the company in the consolidated accounts. The non-controlling interests share of the obligation, USD 18.2 million, have been reflected separately in the consolidated statement of changes in equity.

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF INCOME

USD'000	2018	2017
Time charter revenues	103 750	105 769
Profit for the year	64 442	48 911
Other comprehensive income	11 856	12 774
Total comprehensive income	**76 299**	**61 685**
Attributable to non-controlling interest	46 030	29 074
Dividends paid to non-controlling interest	44 318	30 035

HÖEGH LNG PARTNERS CONSOLIDATED, CONDENSED STATEMENT OF FINANCIAL POSITION

USD'000	31 Dec 2018	31 Dec 2017
ASSETS		
Cash and cash equivalents	26 360	22 746
Restricted cash	6 003	6 962
Other current assets	11 598	14 205
Total current assets	**43 961**	**43 913**
FSRUs	801 350	826 428
Investments in joint ventures	937	-
Other non-current assets	21 522	29 799
Total non-current assets	**823 809**	**856 227**
TOTAL ASSETS	**867 771**	**900 140**
LIABILITIES		
Total current liabilities	**336 641**	**64 587**
Long term interest-bearing debt	111 213	430 644
Investments in joint ventures	-	16 560
Other non-current liabilities	52 348	67 981
Total non-current liabilities	**163 561**	**514 999**
TOTAL LIABILITIES	**500 202**	**579 586**
NET ASSETS	**367 568**	**320 554**
Attributable to non-controlling interest	**286 667**	**225 758**

Note 21: Shares and share capital

NUMBER OF SHARES

	Par value (USD)	31 Dec 2018	31 Dec 2017
Ordinary shares authorised	0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**0.01**	**77 260 580**	**77 244 746**

SHARE CAPITAL

	Number of shares	Par value (USD)	Total (USD'000)
Shares and share capital at 1 January 2018	77 244 746	0.01	772
Shares issued 6 June 2018 as remuneration to directors of the company	15 834	0.01	-
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2018	**77 260 580**	**0.01**	**773**

TREASURY SHARES

	Number of shares	Par value (USD)	Total (USD'000)
Höegh LNG Holdings Ltd. ownership	1 211 738	0.01	12
TREASURY SHARES AND SHARE CAPITAL AT 31 DECEMBER 2018	**1 211 738**		**12**

20 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2018

	Note	Ownership Number of shares	Ownership In %
Leif Höegh & Co Ltd.	31	33 159 509	42.92
Citibank Europe plc		4 884 273	6.32
HSBC TRINKAUS & BURKHARDT AG		3 645 495	4.72
VERDIPAPIRFONDET DNB NORGE (IV)		2 982 459	3.86
State Street Bank and Trust Comp		2 907 116	3.76
BNP Paribas Securities Services		2 260 115	2.93
Brown Brothers Harriman (Lux.) SCA		2 140 863	2.77
CLEARSTREAM BANKING S.A.		1 279 664	1.66
HÖEGH LNG HOLDINGS Ltd.		1 211 738	1.57
J.P. Morgan Bank Luxembourg S.A.		1 025 250	1.33
UBS AG		974 905	1.26
CENTRA INVEST AS		923 951	1.20
JPMorgan Chase Bank, N.A., London		554 952	0.72
ODIN ENERGI		550 000	0.71
FONDSFINANS NORGE		500 000	0.65
Pictet & Cie (Europe) S.A.		469 433	0.61
SKATTUM INVEST AS		452 500	0.59
VERDIPAPIRFONDET PARETO INVESTMENT		442 548	0.57
Skandinaviska Enskilda Banken AB		407 763	0.53
VATNE EQUITY AS		370 000	0.48
Other		16 118 046	20.86
TOTAL		**77 260 580**	**100.00**

Note 22: Earnings per share

Basic earnings per share is 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 earnings per share is calculated by dividing the profit for the year attributable to the 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 2018 and 31 December 2017. The following reflects the income and share data used in the computations of basic and diluted earnings per share:

	2018	2017
Net profit attributable to equity holders of the parent company (USD'000)	32 363	18 482
Number of outstanding shares 1 January	76 033 008	75 672 321
Number of outstanding shares 31 December	76 179 985	76 033 008
Average share options outstanding (if profit)	1 956 938	2 267 112
Weighted average number of outstanding shares	76 106 497	75 852 665
Earnings per share		
Basic, profit for the year attributable to ordinary equity holders of the parent (USD'1)	0.43	0.24
Diluted, profit for the year attributable to ordinary equity holders of the parent (USD'1)	0.41	0.24

Note 23: 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 the group 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. The share options can be exercised up to one year after the end of the total vesting period. Options outstanding at 31 December 2018 expire on 31 December 2022 at the latest.

OUTSTANDING SHARE OPTIONS

	Average exercise price	2018	2017
Outstanding at 1 January		1 905 126	2 629 098
Granted during the year		1 471 600	-
Exercised during the year	NOK 35.36	(1 165 002)	(711 672)
Forfeited during the year		(169 975)	(12 300)
Expired during the year		(33 000)	-
OUTSTANDING AT 31 DECEMBER	**NOK 60.51**	**2 008 749**	**1 905 126**
Exercisable at 31 December		252 808	1 461 276

For 2018, the expense recognised for employee services received during the year charged to the income statement is USD 1.6 million (USD 2.1 million in 2017). This includes the phantom units as described below.

The fair value of the share options is estimated at the grant date using a Black & Scholes simulation pricing model, considering the terms and conditions upon which the share options were granted. The parameters presented below were used as input to the shares granted in 2018.

	Model inputs
Dividend yield (%)	0.00
Expected volatility (%)	30.42
Risk-free interest rate (%)	1.34
Expected life of share options (years)	4.11
Weighted average share price (NOK)	42.80

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 like the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The options can be settled either in cash or shares based on the company's sole discretion.

Phantom unit award to management of Höegh LNG

To align the interest of the management of Höegh LNG and HMLP, the board of directors of the company has 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 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 board of directors of the company approved a total award of 43 852 phantom units in HMLP in 2018. The awarded phantom units in 2018 vest with one third on 31 December 2019, 2020 and 2021, respectively. They are non-tradable and conditional upon the participant being employed by the company or its subsidiaries at the vesting date.

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

	2018	2017
Outstanding number of phantom units at 1 January	53 568	53 568
Granted during the year	43 852	-
Exercised during the year	(17 856)	-
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**79 564**	**53 568**
Fair value at 31 December (USD '000)	1 221	932

Phantom unit award to the CEO & CFO of HMLP

The board of directors of HMLP has awarded the former CEO & CFO of HMLP a total of 14 584 phantom units in 2018. Vesting and other conditions are like the phantom units granted by the company.

	2018	2017
Outstanding number of phantom units at 1 January	21 500	21 500
Granted during the year	14 584	-
Exercised during the year	(7 167)	-
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**28 917**	**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 2019 to 31 December 2022.

Note 24: Deferred tax and corporate income tax

USD'000	2018	2017
Current income tax		
Current income tax charge	(5 644)	(3 026)
Change in deferred tax	(2 763)	(2 136)
Adjustments in respect of current income tax of previous years	12	13
CURRENT INCOME TAX EXPENSE	**(8 396)**	**(5 148)**
Reconciliation of income tax expense		
PROFIT (LOSS) BEFORE INCOME TAX	**80 404**	**46 200**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(8 396)	(5 148)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(8 396)**	**(5 148)**

USD'000	31 Dec 2018	31 Dec 2017
Deferred tax asset		
Vessels	-	-
Other	369	528
TOTAL DEFERRED TAX ASSET	**369**	**528**
Deferred tax liability		
Vessels	9 841	8 154
Other	189	147
TOTAL DEFERRED TAX LIABILITY	**10 030**	**8 301**
Change in deferred tax asset	(158)	175
Change in deferred tax liability	(1 728)	(2 296)
NET CHANGE IN DEFERRED TAX	**(1 887)**	**(2 121)**
Attributed to profit (loss) for the year	(2 841)	(2 121)
Attributed to other comprehensive income (loss)	954	-

Deferred tax and corporate income tax mainly relate to the operations in Indonesia (tax rate 25%) but there are also tax positions in Singapore, Norway, UK and Colombia. Deferred tax asset of USD 1.0 million (recorded against OCI) relates to hedges in Indonesia. The group has downward adjusted a deferred tax asset position of USD 1.0 million in Egypt. Tax losses carried forward were immaterial at year end 2018.

Note 25: Trade and other receivables

USD'000	31 Dec 2018	31 Dec 2017
Trade receivables	15 943	27 395
VAT receivables	731	549
Receivables towards joint ventures	992	451
Prepayments and other[1]	37 005	9 302
TOTAL	**54 670**	**37 697**

[1] Includes accrued revenues of about USD 27 million related to the suspension and settlement agreement with EGAS falling due in 2019

Historically, the group has not had any credit losses. An assessment made per 31.12.2018 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The group manage to collect receivables timely.

Note 26: Trade and other payables

USD'000	31 Dec 2018	31 Dec 2017
Trade payables	9 354	6 251
Public duties	5 130	5 147
Accrued vacation and leave pay	3 873	3 316
TOTAL	**18 358**	**14 714**

Outstanding trade payables as at 31 December 2018 fall due between 30 and 180 days.

Note 27: Provisions and accruals

USD'000	31 Dec 2018	31 Dec 2017
Crew related liabilites	154	312
Contract liability (prepaid charter revenues)	1 794	3 170
Refund liability customers (audit results, tax element)	2 084	-
MGO fuel	2 598	-
Bonus provision	5 434	1 607
Other	9 786	11 392
TOTAL	**21 849**	**16 481**

Note 28: Other current financial liabilities

USD'000	31 Dec 2018	31 Dec 2017
Interest rate swaps designated as effective hedging instruments [1]	3 305	3 091
Accrued interest, mortgage debt	3 150	2 308
Accrued interest, bonds	3 053	3 053
Other	14	13
TOTAL	**9 521**	**8 465**

[1] 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 13.

Note 29: Other non-current assets

USD'000	31 Dec 2018	31 Dec 2017
Pre-contract costs	3 890	4 354
Commitment fees on undrawn facilities	-	2 758
IT and equipment	4 177	2 802
Equipment related to FSRU operations	2 426	7 591
Capitalized dry-docking costs on leased vessels	1 346	5 367
TOTAL	**11 840**	**22 871**

Pre-contract costs are incremental costs recorded in the period from when Höegh LNG is selected as the preferred bidder of an FSRU until a firm charter party agreement is signed. These costs are amortised linearly over the 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.

Carrying value of equipment are specified as follows:

Carrying value of equipment are specified as follows:

Equipment related to FSRU operations and IT (USD'000)	Note	2018	2017
Cost at 1 January		16 559	16 486
Reclassified from non-depreciable assets		2 227	-
Items scrapped or sold [1]		(11 957)	(929)
Additions (jumper upgrade and long lead items)		4 536	1 002
COST AT 31 DECEMBER		**11 366**	**16 559**
Accumulated depreciation at 1 January		(6 166)	(5 534)
Items scrapped or sold [1]		3 037	929
Depreciation charge		(1 633)	(1 561)
ACCUMULATED DEPRECIATION AT 31 DECEMBER	**11**	**(4 762)**	**(6 166)**
NET CARRYING AMOUNT AT 31 DECEMBER		**6 603**	**10 393**

[1] The impairment recorded in 2018 of USD 9.0 million relates to jetty equipment previously installed in Ain Sokhna, Egypt, which was part of the Höegh Gallant time charter with EGAS.

Note 30: 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 13). 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 2018 is presented below. For further information on the interest rate swaps and the current portion of the mark-to-market valuations, see Note 13.

NON-CURRENT FINANCIAL ASSETS

USD'000	31 Dec 2018	31 Dec 2017
Interest rate swaps designated as hedges	10 677	17 025
VAT receivable	687	8 770
Accrued revenues falling due in 2020	8 293	-
TOTAL	**19 656**	**25 795**

NON-CURRENT FINANCIAL LIABILITIES

USD'000	31 Dec 2018	31 Dec 2017
Interest rate swaps designated as hedges	9 202	2 102
VAT liability	29	5 755
Pension liabilities	878	1 308
TOTAL	**10 108**	**9 165**

Note 31: Transactions with related parties

Transactions with joint ventures

Total bareboat hire paid by Leif Hoegh UK Limited to the group's joint ventures chartering out the two LNGs Arctic Princess and Arctic Lady amounted to USD 35.3 million in 2018 (USD 35.5 million in 2017).

Höegh LNG provides various management services to its joint ventures. The below table provides the total amounts of the management services that have been rendered by Höegh LNG AS, Höegh LNG Fleet Management AS to the joint ventures for 2018 and 2017. For recognition of management revenues, see Note 4.

MANAGEMENT INCOME FROM JOINT VENTURES

USD'000	2018	2017
Joint Gas Ltd.	70	69
Joint Gas Two Ltd.	70	69
SRV Joint Gas Ltd.	1 114	1 301
SRV Joint Gas Two Ltd.	3 193	1 508
TOTAL	**4 447**	**2 947**

SHAREHOLDER LOANS WITH JOINT VENTURES

USD'000	31 Dec 2018	31 Dec 2017
Joint Gas Ltd.	2 796	2 580
Joint Gas Two Ltd.	740	683
TOTAL	**3 536**	**3 263**

Shareholder loans are presented as non-current.

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.

ADMINISTRATIVE SERVICES FROM RELATED PARTIES

USD'000	2018	2017
Höegh Autoliners Management AS.	227	122
Hoegh Autoliners Regional Operating Headquarter	242	28
TOTAL	**469**	**150**

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.

Group management and board of directors' remuneration

The remuneration to group management, consisting of seven executives (2017: six), and the board of directors is presented below:

USD'000	Note	2018	2017
Salaries		2 153	1 869
Pension compensation (cash allowance)		277	243
Share-based payment expense	23	1 052	1 097
Other taxable benefits		801	273
Pensions (defined contribution scheme)		60	56
Bonus		651	1 326
Board of directors' fee		938	849
TOTAL		**5 932**	**5 713**

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 32: Other contingent liabilities

Höegh LNG is an international group which, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates in.

Joint ventures: claims and provisions

Under the Neptune and the Cape Ann time charters, the joint ventures undertake to ensure that the vessel meets specified performance standards during the term of the time charters. The performance standards include the vessel not exceeding a maximum average daily boil-off of LNG, subject to certain contractual exclusions, as specified in the time charter. Pursuant to the charters, the hire rate is subject to deduction by the charterer by, among other things, sums due in respect of the joint ventures' failure to satisfy the specified performance standards during the period. The charterer requested that the joint ventures calculate and present the boil-off since the beginning of the charters, compared with maximum average daily boil-off allowed under the time charter. The charters for the Neptune and Cape Ann started in 2009 and 2010, respectively. On September 8, 2017, the charterer notified the joint ventures that it was formally making a claim for compensation in accordance with the provisions of the charters for a stated quantity of LNG exceeding the maximum average daily boil-off since the beginning for the charters. The claim asserted a gross amount of compensation of USD 58 million for the excess boil-off volume but the claim recognized that the calculations for the amount required adjustment for allowable exclusions under the charters. Provisions are recorded for loss contingencies or claims when there is probable outflow of resources to settle the obligation and the amount of loss can be reliably estimated. As of September 30, 2017, the joint ventures determined the liability associated with the boil-off claim was probable and could be reliably estimated resulting in a total provision of USD 23.7 million which was recorded as a reduction of time charter revenues in the third quarter of 2017. Höegh LNG's 50% share of the provision was approximately USD 11.9 million, which remained unchanged as of December 31, 2017. The charterer and the joint ventures referred the claim to arbitration. The charterer's claim as submitted in the arbitration request was for a gross amount of USD 52 million, covering a shorter time period for the time period for the first performance period as defined in the time charters, as well as interest and expenses. The charterer reserved it right to make a further claim with respect to subsequent performance periods. Subsequently, the charterer and the joint ventures asked the arbitration tribunal for a partial determination on certain key contractual interpretations and the proceedings commenced in November 2018.

In March 2019, the tribunal's determination was received. The determination did not cover all the questions of contractual interpretation on which there is disagreement between the parties. With the exception of one issue, the tribunal's conclusions on the contractual interpretations were unambiguous. For the remaining issue related to the calculation of a deduction from the gross claim, the tribunal did not specify how the deduction should be determined. As a result, there remains significant uncertainty in the evaluation of the potential outcome of the boil-off claim. Based on the tribunal's determination, the joint ventures updated their estimates to cover the period from the start of the time charters to December 31, 2018. Accordingly, the range of estimates is not directly comparable to the USD 52 million gross claim initially raised by the charterer through the end of the defined performance period. Depending on interpretations of the tribunal's determination for the deduction to the gross claim and the other disputed contractual provisions, the joint ventures estimate that their aggregate liability associated with the boil-off claim is in the millions of dollars and could range between the mid-to-upper teens to the mid-USD 30's, of which Höegh LNG's share would be 50%. Based upon the additional information from the tribunal's determination and updated estimates of the potential range of the liability, the joint ventures concluded the existing provision of USD 23.7 million continues to represent their best estimate of the probable liability as of December 31, 2018. Accordingly, the provision was unchanged as of December 31, 2018. Höegh LNG's 50% share of the provision remains at approximately USD 11.9 million as of December 31, 2018. As a result of the tribunal's determination, fewer interpretative questions relating to the boil-off claim remain, narrowing the range of potential outcomes, which could facilitate a negotiated solution between the parties. However, it is also possible that the claim could ultimately be settled through further arbitration.

The joint ventures will continue to monitor this issue and adjust the provision, as might be required, based upon additional information and further developments. Höegh LNG and the other major owner guarantee the performance and payment obligations of the joint ventures under the time charters. The guarantees are joint and several for the performance obligations and several for the payment obligations.

To the extent that an excess boil-off claim results in a settlement or arbitration award, Höegh LNG will indemnify HMLP for its share of the cash impact of any settlement.

In 2002, two UK tax lease agreements were entered into for Arctic Princess and Arctic Lady respectively between two UK lessors and the Joint Gas Ltd. and Joint Gas Two Ltd. joint venture companies as lessees (the Arctic Leases). The vessels were delivered in 2006 and the lease agreements are for 25 years from delivery. Her Majesty's Revenue and Customs in the UK (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one previous case, which was decided in the autumn of 2015 in favour of HMRC. In the event of a formal challenge by HMRC regarding the lessors' right to claim capital allowances under the Arctic Leases, this would lead to higher rental payments to the UK vessel lessors, which would have a negative effect on the earnings of the lessee companies and consequently on Höegh LNG. Leif Hoegh (U.K.) Limited, as managing owner and operator of the vessels, has been in dialogue with HMRC on this matter since 2005 and has presented the factual background to and the business rationale for entering into the lease agreements back in 2002. See also Note 19, Commitments and guarantees (Arctic Vessels).

Note 33: Subsequent events

On 31 January 2019 Höegh LNG Partners borrowed USD 320 million under the previously announced USD 385 million debt facility to refinance Höegh Gallant and Höegh Grace. Outstanding amounts under the USD 412 million facility (USD 303.3 million) were repaid with proceeds from the new financing. The new facility is structured as two term loans (a commercial and an export credit agency tranche) totaling USD 320 million plus a USD 63 million revolving credit facility. The facility has a tenor of seven years and a blended amortization profile of 15 years, assuming full drawing under the revolving credit facility. The interest rate has been swapped to a fixed rate of approximately 5.0%.

The company declared a cash dividend on 27 February 2019 of USD 0.025 per share for the first quarter of 2019.

Höegh Grace

Appendix 1 – Alternative performance measures (APMs)

Höegh LNG's financial information is prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide additional performance measures when this is deemed relevant for the understanding of Höegh LNG's financial performance.

Alternative performance measures are used by Höegh LNG to provide supplemental information to the different users of its external financial reporting. Financial APMs are intended to enhance comparability of the results and to give supplemental information related to measures not within the applicable financial reporting framework, and it is Höegh LNG's experience that these measures are frequently used by equity- and debt investors, analysts and other stakeholders. Management uses these measures internally to drive performance in terms of target setting and as basis for measuring actual financial performance. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the group.

Operational measures such as, but not limited to, volumes, technical availability of vessels/fleet and contract backlog are not defined as financial APMs.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

Höegh LNG's APMs

- Earnings before interest, taxes, depreciation and amortisation (EBITDA): EBITDA is defined as the line item Operating profit before depreciation and amortisation in the consolidated statement of income.
- Net interest-bearing debt: Non-current and current interest-bearing debt deducted cash, marketable securities and restricted cash (current and non-current).
- Equity adjusted for hedging: Total book equity adjusted for mark-to-market value of financial derivative swaps recorded against equity. Financial derivative swaps consist of interest-rate and cross-currency interest-rate swaps. In the money mark-to-market financial derivative swaps will increase equity, while out of the money mark-to-market financial derivative swaps will reduce equity. 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. The computation of equity adjusted for hedging is consistent with the definitions set out in the group's covenants in loan agreements.
- Equity ratio adjusted for hedging: Total book equity (see above) adjusted for hedging reserves divided by total assets adjusted for hedging.
- Adjusted basic and diluted earnings per share shows the value of EPS if an allocation of profit had been made for transfer of assets.

ALTERNATIVE PERFORMANCE MEASURES, SUMMARY

USD'000	2018	2017
Net interest-bearing debt 31 December	(1 250 785)	(908 080)
Equity adjusted for hedging 31 December	829 705	763 136
EQUITY RATIO ADJUSTED FOR HEDGING 31 DECEMBER	**36%**	**39%**

NET INTEREST-BEARING DEBT

USD'000	31 Dec 2018	31 Dec 2017
Interest-bearing debt, current and non-current	(1 433 188)	(1 155 659)
Restricted cash, non-current	17 925	13 640
Cash and marketable securities	164 477	233 938
NET INTEREST-BEARING DEBT	**(1 250 785)**	**(908 080)**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2018	31 Dec 2017
Equity	786 999	705 238
Hedge reserve including non-controlling interest share	42 706	57 898
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**829 705**	**763 136**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2018	31 Dec 2017
Total assets	2 304 778	1 959 035
Hedge assets	12 422	12 560
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 317 199**	**1 946 475**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**829 705**	**763 136**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**36 %**	**39%**

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	31 Dec 2018	31 Dec 2017
Profit (loss) for the period attributable to (from):		
Equity holders of the parent	32 363	18 482
Diluted earnings per share	0.42	0.24
Transfer of assets/capital contribution (to) from HMLP		
Capital contribution (to) from HMLP	352	(290)
Transfer of assets (to) HMLP	(18 213)	35 050
Total contributions/transfers (to) from HMLP	(17 861)	34 760
Adjusted profit (loss) for the period attributable to (from) equity holders of the parent	14 502	53 241
ADJUSTED DILUTED EARNINGS PER SHARE (USD'1)	**0.19**	**0.68**

Höegh Giant

06

Financial Statements
Höegh LNG Holdings Ltd.
For the year ended 31 December 2018

STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2018	2017
Administrative expenses	9	(4 340)	1 307
Operating expenses		-	(489)
OPERATING RESULT		**(4 340)**	**818**
Interest income	6	28 815	21 088
Dividend received	16	28 179	26 998
Interest expenses	7, 12	(23 373)	(26 999)
Income from other financial items	19	752	3 049
Expenses from other financial items	17	(527)	(468)
Impairment	15	-	(3 161)
PROFIT FOR THE YEAR BEFORE TAX		**29 506**	**21 325**
Income taxes		-	-
PROFIT FOR THE YEAR AFTER TAX		**29 506**	**21 325**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

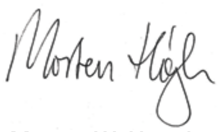
USD'000	Note	2018	2017
PROFIT FOR THE YEAR AFTER TAX		**29 506**	**21 325**
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on cash flow hedges	8	(275)	(2 289)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(275)**	**(2 289)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29 230**	**19 036**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Investments in subsidiaries	3	397 415	397 019
Loans to subsidiaries	5	536 010	554 100
Investment in associates	4	24 750	-
Other receivables		470	665
Other non-current financial assets	8	573	7 464
Total non-current assets		**959 217**	**959 248**
Current assets			
Trade receivables and other receivables		124	445
Loans to subsidiaries	5	39 292	-
Marketable securities	18	-	74 022
Other current financial assets	8	2 063	
Cash and cash equivalents	10	83 557	31 464
Total current assets		**125 036**	**105 931**
TOTAL ASSETS		**1 084 253**	**1 065 179**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	773	772
Share premium reserve		447 034	446 944
Hedging reserves	8	661	936
Other paid-in equity		(588)	(1 637)
Treasury shares		(12)	(12)
Retained earnings		325 205	303 303
Total equity		**773 071**	**750 306**
Non-current liabilities			
Other non-current financial liabilities	8	3 651	-
Bonds	12	300 935	310 354
Total non-current liabilities		**304 586**	**310 354**
Current liabilities			
Accrued interest bonds	12	3 053	3 053
Trade and other payables		421	477
Provisions and accruals		481	140
Other current financial liabilities	8	2 642	848
Total current liabilities		**6 596**	**4 518**
TOTAL EQUITY AND LIABILITIES		**1 084 253**	**1 065 179**

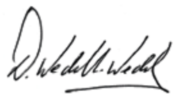
Hamilton, Bermuda, 11 April 2019

The board of directors and the President & CEO of Höegh LNG Holdings Ltd.

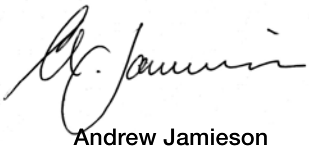


Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

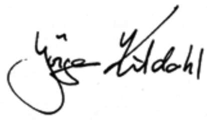


Ditlev Wedell-Wedellsborg
Director



Andrew Jamieson
Director

Christopher G. Finlayson
Director



Jørgen Kildahl
Director

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Note	Share capital	Share premium reserve	Treasury shares	Other paid-in equity	Hedging reserve	Retained earnings	Total equity
AT 1 JANUARY 2017		**769**	**445 077**	**-**	**7 408**	**3 225**	**315 733**	**772 212**
Issue of share capital		3	1 867					1 870
Share-based payment costs					542			542
Dividend to shareholders	11						(38 620)	(38 620)
Treasury shares received (liquidation Methane Ventures Ltd)				(12)	(9 587)			(9 599)
Novation of swap Höegh Giant							4 865	4 865
Total comprehensive income						(2 289)	21 325	19 036
AT 1 JANUARY 2018		**772**	**446 944**	**(12)**	**(1 637)**	**936**	**303 303**	**750 306**
Issue of share capital	11	1	90					90
Share-based payment costs					1 048			1 048
Dividend to shareholders	11						(7 604)	(7 604)
Total comprehensive income						(275)	29 506	29 230
AT 31 DECEMBER 2018		**773**	**447 034**	**(12)**	**(588)**	**661**	**325 205**	**773 071**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2018	2017
Cash flow from operating activities			
Profit before tax for the year		29 506	21 325
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments on marketable securities		(752)	(3 049)
Impairment of financial assets	15	-	3 162
Board remuneration		90	90
Interest income	6	(28 815)	(21 088)
Interest expenses	7	23 373	26 999
Reimbursement (of historical indemnifications) from HMLP		-	(2 496)
Reimbursement of project cost from sale of Höegh Giant		-	(2 498)
Dividend received from Höegh LNG Partners LP	16	(28 179)	(26 998)
Working capital adjustments			
Changes in accounts receivable and payable		550	(195)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(4 227)**	**(4 748)**
Cash flow from investing activities			
Capital contributions paid to Höegh LNG Partners LP		652	(2 075)
Dividend received from Höegh LNG Partners LP	16	28 179	26 998
Purchase of marketable securities	18	-	(155 331)
Proceeds from sale of marketable securities	18	74 774	220 000
Interest received		4 500	1 808
Investment in associates	4	(24 750)	-
Newbuildings under construction		-	(244 815)
NET CASH FLOW FROM INVESTING ACTIVITIES		**83 354**	**(153 414)**
Cash flow from financing activities			
Dividend paid	16	(7 604)	(38 014)
Proceeds from borrowings Höegh Giant		-	190 600
Net proceeds from bond issue HLNG03		-	175 013
Unwinding and buyback of HLNG01 swaps		-	(20 428)
Repayment of HLNG01 bonds incl. CCIRS		-	(103 690)
Interest paid	12	(22 619)	(27 883)
Net receipts (grants) of borrowings to subsidiaries	5	3 189	1 669
NET CASH FLOW FROM FINANCING ACTIVITIES		**(27 034)**	**177 267**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**52 093**	**19 105**
Cash and cash equivalents at 1 January		31 464	12 359
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**10**	**83 557**	**31 464**

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the "company") is an exempted company limited by shares and incorporated under the laws of Bermuda. The company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The company is listed on Oslo Børs (the Oslo Stock Exchange) under the ticker "HLNG".

The financial statements and note disclosures are presented in USD and all values are rounded to the nearest thousand (USD'000) unless otherwise indicated. As a result of rounding differences amounts and percentages may not add up to the total.

The annual accounts for the company for the year ended 31 December 2018 were approved by the board of directors on 11 April 2019.

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) as issued by the International Accounting Standards Board (IASB), and adopted by the EU.

Summary of significant accounting policies in note 2 to the consolidated financial statements generally apply to the company, but the following accounting principles are considered the most important for assessment of the company's financial statements:

2.1 Shares in subsidiaries and associates

Shares and units in subsidiaries and shares in associated companies are recorded at historical cost. These investments are reviewed for impairment when there are indications that carrying amount may not be recoverable. Dividend or other distributions from subsidiaries or associated companies are recognised as revenue when the company's right to receive payments is established.

2.2 IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and liabilities. This standard replaces IAS 39 "Financial Instruments; Recognition and Measurement" for annual periods beginning on or after 1 January 2018. The company has applied IFRS 9 retrospectively as of 1 January 2018 and not adjusted the comparative information for the period beginning 1 January 2017. The effect of adopting IFRS 9 is immaterial.

The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise (FVPL), unless restrictive criteria are met for classifying and measuring the asset as either Amortized cost or Fair value through Other Comprehensive Income (FVOCI). The measurement and classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities at amortised cost.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each of the group's financial assets and liabilities as at 1 January 2018:

USD million	Original classification IAS 39	New classification IFRS 9	Original carrying amount IAS 39	New carrying amount IFRS 9
Financial assets				
Marketable securities	FVPL	FVPL	74	74
Derivatives in cash flow hedges	FVOCI	FVOCI	7	7
Intercompany receivables	Loans and receivables	Amortised cost	554	554
Trade and other financial receivables	Loans and receivables	Amortised cost	1	1
Cash and cash equivalents	Loans and receivables	Amortised cost	31	31
TOTAL FINANCIAL ASSETS			**667**	**667**
Financial liabilities				
Interest-bearing debt	Amortised cost	Amortised cost	310	310
Derivatives in cash flow hedges	FVOCI	FVOCI	1	1
TOTAL FINANCIAL LIABILITIES			**311**	**311**

IFRS 9 replaces the "incurred loss" model in IAS 39 with an Expected credit loss model, which normally result in credit losses being recognized earlier. Credit risk related to the company's financial assets measured at Amortised cost is immaterial.

IFRS 9 also contains new requirements for the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities risk management activities by increasing eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The company applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

Financial assets

The company's financial assets are derivatives, trade – and intercompany receivables and cash and cash equivalents.

The company classifies its financial assets in two categories:

- Financial assets at amortized cost, which includes cash and cash equivalents and trade- and intercompany receivables. Assets are subsequently measured using the effective interest method and are subject to impairment.

- Financial assets at fair value through other comprehensive income (FVOCI), which includes the positive balance of interest rate and currency swaps where the hedge is considered effective.

Financial assets are subject to impairment testing at the end of each reporting period, if there are indications that the asset may be impaired. For intercompany receivables, the company consider its historical credit loss experience, and any changes in the underlying credit risk based on financial performance and position of the lender. The company recognises a loss allowance if it is unlikely that the outstanding contractual amount is fully recoverable. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

The company classifies its financial liabilities in two categories:

- Financial liabilities at amortized cost, which includes bonds and trade and other payables. Liabilities are subsequently measured using the effective interest method.
- Financial liabilities through other comprehensive income (FVOCI), which includes the negative balance of interest rate and currency swaps where the hedge is considered effective.

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire. Derecognition is also made when terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit and loss.

Note 3: Investments in subsidiaries

USD'000	2018	2017
Carrying value at 1 January	397 019	395 329
Investment in (repayment) Höegh LNG Partners LP [1]	(652)	541
Liquidation of Methane Ventures Limited	-	(1 387)
Share based payments costs	1 048	2 536
CARRYING VALUE AT 31 DECEMBER	**397 415**	**397 019**

[1] The reduced investment of USD 0.7 million in 2018 relates reimbursement of indemnification repaid from HMLP.

CARRYING AMOUNT PER COMPANY

USD'000	31 Dec 2018	31 Dec 2017
Company		
Höegh LNG Partners LP	272 393	273 033
Höegh LNG Ltd.	125 022	123 985
TOTAL	**397 415**	**397 019**

Companies	Registered office	Ownership share	Carrying amount 31 Dec 2018	Book equity (100%) 31 Dec 2018	Book equity (100%) 31 Dec 2017
Höegh LNG Ltd.	Bermuda	100.00%	125 022	(24 802)	39 741
Höegh LNG Partners LP	Marshall Islands	45.97%	272 393	410 393	398 930
Höegh FLNG Ltd	Bermuda	100.00%	-	14 207	14 207
Höegh LNG Québec Inc	Canada	100.00%	-	0	-
Höegh LNG GP LLC	Marshall Islands	100.00%	-	39	39
TOTAL			**397 415**	**399 836**	**452 917**

At the year ended 31 December 2018, the market value of HMLP's common and subordinated units was USD 15.35, giving a fair value of the company's investment in HMLP of about USD 234 million as the company's ownership in HMLP was 15 272 120 units.

Note 4: Investments in associate

Höegh LNG made an investment in Avenir LNG Ltd (Avenir LNG) in 2018, initially a joint venture with Golar LNG Ltd. (Golar LNG) and Stolt-Nielsen Ltd. (Stolt-Nielsen) to pursue opportunities in the small-scale LNG market. The current combined equity commitment is USD 182 million, which will fund six small-scale LNG carriers and a small-scale LNG terminal under construction in Sardinia. The combined initial equity contribution of USD 99 million by the three partners was supplemented with USD 11 million raised in a private placement on 13 November 2018. The shares in Avenir LNG were subsequently registered on the Norwegian OTC market under the ticker AVENIR. Höegh LNG and Golar LNG each hold 22.5% of the shares, while Stolt-Nielsen holds 45%.

The investment in Avenir LNG Limited has at 31 December 2018 a book value of USD 24.5 million, with remaining capital commitments of USD 18 million.

Note 5: Loans to subsidiaries

USD'000	31 Dec 2018	31 Dec 2017
Non-current Inter-company receivables Höegh LNG Ltd.	536 010	502 268
Current Inter-company receivables Höegh LNG Partners LP	39 292	51 832
TOTAL	**575 302**	**554 100**

The company has entered 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.

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 2018 amounted to USD 39.3 million (USD 51.4 million at 31 December 2017). The RCF has a floating interest rate equal to 3 months LIBOR plus a margin of 4%.

See Note 6 for recognition of interest income and Note 14 for transactions with related parties.

Note 6: Interest income

USD'000	2018	2017
Interest on inter-company loan to Höegh LNG Ltd.	24 742	18 434
Interest on loan to Methane Ventures Limited	-	384
Commitment fee Höegh LNG Partners LP	2 938	1 810
Other interest income	1 136	460
TOTAL	**28 815**	**21 088**

For outstanding interest-bearing receivables see Note 5. Reference is made to Note 14 for transactions with related parties.

Note 7: Interest expenses

USD'000	2018	2017
Interest expense bond issue 2012 ("HLNG01")	-	6 564
Interest expense bond issue 2015 ("HLNG02")	9 189	9 186
Interest expense bond issue 2017 ("HLNG03")	14 185	12 976
Bond interest expense eligible for capitalization	-	(1 727)
TOTAL	**23 373**	**26 999**

Note 8: Financial derivatives

The company has entered a cross currency interest rate swap relating to the NOK bond and an interest rate swap on the USD bond. As at 31 December 2018, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 3.7 million (net asset of 6.6 million).

USD 0.3 million relating to the swaps was recorded as loss in other comprehensive income (OCI) in 2018 compared with a loss of USD 2.3 million in 2017. At 31 December 2018, the net mark-to-market valuation of the interest rate swaps recorded against equity was USD 0.7 million (USD 0.9 million).

MtMs OF CASH FLOW HEDGES IN THE FINANCIAL POSITION

USD'000	2018	2017
MtMs presented as financial assets non-current portion	573	7 464
MtMs presented as financial assets current portion	2 063	-
Total MtMs presented as financial liabilities non-current portion	(3 651)	-
Total MtMs presented as financial liabilities current portion	(2 642)	(848)
NET MTMS OF CASH FLOW HEDGES AS AT 31 DECEMBER	**(3 657)**	**6 617**
Foreign exchange losses under cross currency swap included in MtM	4 318	(5 822)
Accumulated loss on swap in profit or loss	-	141
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS AT 31 DECEMBER	**661**	**936**

Note 9: Administrative expenses

USD'000	2018	2017
Remuneration to board members	383	330
Audit fees	307	245
Financial and legal fees	905	724
Other external services	126	163
Management cost from companies within the group[1]	1 761	(927)
Consultancy fee/advisory related to implementation of SOx[2]	711	473
Miscellaneous expenses	147	182
Indemnification to loss of hire in the MLP (See Note 20 in group accounts)	-	(2 496)
TOTAL	**4 340**	**(1 307)**

[1] The Management cost in 2018 is mainly cost related to legal activities and investor relations while in 2017 we also had income related to the sale of Höegh Giant.
[2] Compliance with Sarbanes-Oxley Act (SOx).

Note 10: Cash and cash equivalents

Currency	Exchange rate	31 Dec 2018	Exchange rate	31 Dec 2017
		USD'000		USD'000
US Dollars (USD)	1	80 615	1,000	30 588
Norwegian Kroner (NOK)	8.689	2 942	8,205	875
TOTAL		**83 557**		**31 464**

All bank deposits are held with Norwegian banks. USD 60 million was placed on time deposit as of 31 December 2018.

Note 11: Share capital

NUMBER OF SHARES

	Par value	31 Dec 2018	31 Dec 2017
Total number of shares authorized	USD 0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**USD 0.01**	**77 260 580**	**77 244 746**

SHARE CAPITAL

	Number of shares	Par value USD	USD'1000
Shares and share capital at 1 January 2018	77 244 746	0.01	772
Shares issued 6 June 2018 as remuneration to directors of the company	15 834	0.01	0,16
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2018	**77 260 580**		**773**

On 6 June 2018 the company issued 15 834 common shares at a subscription price of NOK 46.00 as remuneration to (6) directors of the board. The company has one class of shares and as of 31 December 2018. The number of issued shares was 77 260 580 out of which the company held 1 211 738 treasury shares.

Note 12: Bonds

USD'000	31 Dec 2018	31 Dec 2017
Bond issue 2015 ("HLNG02")	130 000	130 000
Bond issue 2017 ("HLNG03")	172 642	182 815
Debt issuance cost bonds	(1 707)	(2 461)
TOTAL	**300 935**	**310 354**

The terms and conditions for the bond loans are described in Note 16 in the Consolidated Financial Statements. Interest on the bond has been expensed in the amount of USD 22.6 million during 2018 (2017: USD 27 million). At 31 December 2018, accrued interest was USD 3.1 million (2017: USD 3.1 million).

Note 13: Financial risk management objectives and policies

The groups objectives and policies related to capital management and financial risks are described in Note 13 in the Consolidated Financial Statements.

FINANCIAL ASSETS

	Carrying amount		Fair value	
USD'000	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial instruments at fair value through other comprehensive income				
Marketable securities	-	74 022	-	74 022
Derivatives in cash flow hedges	2 636	7 464	2 636	7 464
Amortised cost				
Interest bearing receivables	575 302	554 100	574 561	554 100
Trade receivables and other	593	935	593	935
Cash and cash equivalents	83 557	31 464	83 557	31 464
TOTAL	**662 088**	**667 985**	**661 348**	**667 985**
TOTAL CURRENT	**125 506**	**106 421**	**124 765**	**106 421**
TOTAL NON-CURRENT	**536 583**	**561 564**	**536 583**	**561 564**

The fair value of the financial assets and liabilities are included in the amount at which the instruments 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, 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 reported carrying amounts since they are payable on demand by the lender. The 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 (HLNG02 issued on 5 June 2015 and HLNG03 issued on 19 January 2017) are listed on Oslo Stock Exchange, and the fair values of these are disclosed based on traded information. As at 31 December 2018, the fair values were 99.9% and 98.46% for HLNG02 and HLNG03, respectively (99.38% and 98.63% in 2017).

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
USD'000	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	6 293	848	6 293	848
Loans and payables at amortised cost				
Trade and other payables	421	477	421	477
Bonds	300 935	310 354	299 853	300 824
TOTAL	**307 649**	**311 679**	**306 567**	**302 149**
TOTAL CURRENT	**3 063**	**1 325**	**3 063**	**1 325**
TOTAL NON-CURRENT	**304 586**	**310 354**	**303 504**	**300 824**

Refer to Note 13 in the consolidated financial statements for fair value hierarchy and for further outline of financial risk management objectives and policies.

Note 14: Related party transactions

RECEIVABLES AGAINST RELATED PARTIES

USD'000	31 Dec 2018	31 Dec 2017
Subsidiary		
Höegh LNG Ltd.	536 010	502 268
Höegh LNG Partners LP	39 292	51 832
TOTAL	**575 302**	**554 100**

INTEREST INCOME FROM RELATED PARTIES

USD'000	2018	2017
Subsidiary		
Höegh LNG Ltd.	24 742	18 434
Methane Ventures Limited	-	384
Höegh LNG Partners LP	2 938	1 810
TOTAL	**27 680**	**20 628**

ADMINISTRATIVE SERVICE EXPENSE

USD'000	2018	2017
Subsidiary		
Höegh LNG AS	2 366	2 067
TOTAL	**2 366**	**2 067**

The company has entered into loan agreements with subsidiaries as described in Note 5 and has received administration services in the amount of USD 2.4 million in 2018 from the subsidiary Höegh LNG AS (USD 2.1 million in 2017).

Other related parties

For transactions with other related parties, reference is made to Note 31 of the Consolidated Financial Statements.

Note 15: Impairment

USD'000	2018	2017
Impairment (reversal) of loan to Höegh FLNG Ltd.	-	(18)
Loss on shares in Methane Ventures Limited	-	1 387
Loss on inter-company loans in Methane Ventures Limited	-	1 792
TOTAL	**-**	**3 161**

Note 16: Dividends

The company has during 2018 received quarterly dividends from Höegh LNG Partners LP, totalling USD 28.2 million (USD 27 million).

During 2018, the company has paid out USD 7.6 million in dividends to its shareholders (USD 38.6 million).

Note 17: Other financial expenses

USD'000	2018	2017
Loss (gain) on financial instruments	-	361
Loss (gain) on exchange	527	107
TOTAL	**527**	**468**

Note 18: Marketable securities

Refer to Note 15 in the Consolidated Financial Statements disclosing information to the company's marketable securities.

Note 19: Share-based payments

Refer to Note 23 in the Consolidated Financial Statements disclosing information to the company's share option program.

Note 20: Commitments and guarantees

Refer to Note 19 in the Consolidated Financial Statements for guarantees provided by the company.

Note 21: Subsequent events

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

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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 statements of financial position as at 31 December 2018, the statements of income, the statements of other comprehensive income, the statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 and the Group 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 for 2018. 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.

Contingent liabilities and provisions for claim from charterer

The charterer of the vessels Neptune and Gdf Suez Cape Ann made in 2017 a formal claim for compensation related to the vessels performance compared to the specified performance requirements in the time charter contracts. The Group records provisions for uncertain liabilities when it is more likely than not that a liability will be incurred and the amount can be reasonable estimated. As at 31 December 2018, a total provision of USD 11.9 million has been recorded in the consolidated financial statements based on the 50 % investments in both Neptune and Gdf Suez Cape Ann. As the ultimate outcome of this claim and proceedings cannot be predicted with certainty, and an adverse outcome could have a material effect on the Group's financial position, results of its operations and its cash flows this was a key audit matter.

We evaluated management's assessment of the likely outcomes and potential exposures arising from this claim and the provision made. We assessed the ranges and assumptions included in management's calculation of the potential exposure, the probability of the different scenarios including a comparison to the time charter contracts as well as considering the determination from the arbitration tribunal released on 1 March 2019. We discussed the claim with corporate legal, the Board of Directors, the Audit Committee and key personnel in commercial and operations. We also evaluated the legal letters received from the Group's external lawyers and assessed their objectivity and competency.

Refer to note 32 in the consolidated financial statement for further description of the Group's assessment.

Impairment evaluation of vessels

The current market conditions and existence of impairment indicators triggered an impairment assessment of vessels. The impairment evaluation is dependent on a range of assumptions such as future day rates, utilization, operating expenses and weighted average cost of capital, all impacted by future market developments and economic conditions. A significant portion of the carrying value of certain vessels is expected to be recovered through redeployment or employment of the vessels in FSRU mode. This primarily relates to vessels on interim employment in the LNGC market. Estimation of future uncontracted cash flows requires significant judgment related to if and when a new contract can be obtained, which charter rates will apply and redeployment expenses. We consider the impairment assessment of vessels a key audit matter due to the uncertainty of estimates and judgments involved in establishing the assumptions. The book value of the vessels is USD 1 908 million and represents 82.8 % of the Group's total assets.

Our audit procedures included an evaluation of management's assessment of impairment indicators for vessels and the assumptions used in the value in use calculations. We assessed the accuracy of prior years' forecasts, compared expected revenue and operating expenditures to approved budgets, current contracts, historical data and to the long-term market expectations. Furthermore, we compared the risk premiums in the weighted average cost of capital with market data, and considered management's adjustments for company specific factors. We assessed sensitivity analyses and tested the mathematical accuracy of the impairment model.

Refer to note 11 in the consolidated financial statements for the disclosures regarding the assumptions applied, valuation model, sensitivity to key assumptions and description of the impairment tests of the vessels.

Revenue recognition – suspension and settlement agreement

On 15 October 2018, Höegh LNG Holdings Ltd. (HLNG) and Egypt Natural Gas Holdings Company ("Egas") entered in to a suspension and settlement agreement where they agreed to amend the time charter for FSRU Höegh Gallant. Under the amended contract, the Höegh Gallant FSRU is chartered as an LNG carrier to a third party until April 2020, which was the termination date of the original FSRU contract. Egas will compensate HLNG for the rate difference between the original FSRU contract and the new LNG carrier time charter in this period. Based on the criteria in IFRS 15 and IAS 17 regarding timing of revenue recognition, management has assessed HLNG's rights and obligations in the suspension and settlement agreement and concluded that the compensation received from Egas of USD 40.4 million should be recognised as revenue at the commencement date of the new charter. The accounting treatment of this agreement is a key audit matter because of the materiality of the transaction and the judgment involved in determining the timing of the revenue recognition.

We evaluated the appropriateness of Management's assessment. We obtained an understanding of the transaction, consideration of the parties involved and evaluated the suspension and settlement agreement and the new charter agreement against applicable guidance in IFRS 15 and IAS 17.

Furthermore, we evaluated the Group's disclosures regarding the transaction, which are included in note 2 of the consolidated financial statements.

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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 and CEO (management) are 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, 11 April 2019
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
Organisational profile		
102-1	Name of the organisation.	Front cover
102-2	Activities, brands, products, and services.	Pages 12-14 and web: https://www.hoeghlng.com/our-business/default.aspx
102-3	Location of headquarters.	Page 13
102-4	Location of operations.	Page 13
102-5	Ownership and legal form.	Page 13
102-6	Markets served.	Pages 12-14
102-7	Scale of organisation.	Pages 15-18, 20
102-8	Information on employees and other workers.	Of the permanent employees, all work full-time. 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. 257 (0 females) of the maritime personnel have permanent contracts. 285 (5 females) have temporary contracts. 148 (60 females) of the office personnel have permanent contracts, 4 (2 females) have temporary contracts.
102-9	Supply chain.	Page 29
102-10	Significant changes to the organisation and its supply chain.	No significant changes
102-11	Precautionary principle or approach.	Page 24
102-12	External initiatives.	HLNG is a member of the Maritime Anti-corruption Network (MACN).
102-13	Membership of associations.	Association, the International Group of Liquefied Natural Gas Importers (GIIGNL) and The Society of International Gas Tanker and Terminal Operators (SIGTTO).
Strategy		
102-14	Statement from senior decision maker.	Pages 12-13
Ethics and Integrity		
102-16	Values, standards, principles and norms.	Pages 24, 28-29
Governance		
102-18	Governance structure.	Page 36-47 and web page: https://www.hoeghlng.com/corporate-governance/default.aspx
Stakeholder Engagement		
102-40	List of stakeholder groups.	Page 24
102-41	Collective bargaining agreements.	All maritime personnel are covered by collective bargaining agreements. No office employees are covered by collective bargaining agreements.

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Stakeholder Engagement		
102-42	Identifying and selecting stakeholders.	Page 24
102-43	Approach to stakeholder engagement.	Page 24
102-44	Key topics and concerns raised.	Page 24
Reporting Practice		
102-45	Entities included in the consolidated financial statements.	Page 57
102-46	Defining report content and topic boundaries.	Page 24
102-47	List of material topics.	Page 24
102-48	Restatements of information.	None
102-49	Changes in reporting.	None
102-50	Reporting period.	2018
102-51	Date of previous report.	April 2017
102-52	Reporting cycle.	Annual
102-53	Contact point.	Erik Folkeson Vice President, Strategy and Investor Relations Email: erik.folkeson@hoeghlng.com Cell phone: +47 41 42 17 69
102-54	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index.	Pages 129-134
102-56	External assurance.	The GRI content of this report has not been externally assured.

Specific Standard Disclosures

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Anti-corruption			
103-1	Explanation of the material topic and its boundary.	Pages 24, 28-29	
103-2	The management approach and its components.	Pages 24, 28-29	
103-3	Evaluation of the management approach.	Pages 24, 28-29	
205-1	Operations assessed for risks related to corruption.	Page 29	
205-2	Communication and training about anti-corruption policies and procedures.	Page 28-29	
205-3	Confirmed incidents of corruption and actions taken.	None	
Anti-competitive behaviour			
103-1	Explanation of the material topic and its boundary.	Pages 24, 28-29	
103-2	The management approach and its components.	Pages 24, 28-29	
103-3	Evaluation of the management approach.	Pages 24, 28-29	
306-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	None	
Energy			
103-1	Explanation of the material topic and its boundary.	Pages 24-25	
103-2	The management approach and its components.	Pages 24-25	
103-3	Evaluation of the management approach.	Pages 24-25	
302-1	Energy consumption within the organization.	Pages 25-26 The electricity consumption of Höegh LNG's office spaces in Oslo amounted to 275 160 kWh.	
Biodiversity			
103-1	Explanation of the material topic and its boundary.	Page 24	
103-2	The management approach and its components.	Page 24	
103-3	Evaluation of the management approach.	Page 24	
304-2	Significant impacts of activities, products, and services on biodiversity.	Page 26	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Emissions			
103-1	Explanation of the material topic and its boundary.	Pages 24-25	
103-2	The management approach and its components.	Pages 24-25	
103-3	Evaluation of the management approach.	Pages 24-25	
305-1	Direct (Scope 1) GHG emissions.	Pages 25-26 Conversion factors from Defra 2017.	Data includes reporting for all vessels.
305-2	Energy indirect (Scope 2) GHG emissions.	146 metric tonnes of CO_2 in 2018. Emission factors from the Norwegian Water Resources and Energy Directorate (NVE).	Data includes Oslo office.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions.	Page 25 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 2017.
Effluents and waste			
103-1	Explanation of the material topic and its boundary.	Pages 24-25	
103-2	The management approach and its components.	Pages 24-25	
103-3	Evaluation of the management approach.	Pages 24-25	
306-3	Significant spills.	None	
Environmental compliance			
103-1	Explanation of the material topic and its boundary.	Pages 24-25	
103-2	The management approach and its components.	Pages 24-25	
103-3	Evaluation of the management approach.	Pages 24-25	
307-1	Non-compliance with environmental laws and regulations.	None	
Supplier environmental assessment			
103-1	Explanation of the material topic and its boundary.	Pages 24-29	
103-2	The management approach and its components.	Pages 24-29	
103-3	Evaluation of the management approach.	Pages 24-29	
308-1	New suppliers that were screened using environmental criteria.	All new suppliers are screened using environmental criteria.	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Employment			
103-1	Explanation of the material topic and its boundary.	Pages 24, 27-28	
103-2	The management approach and its components.	Pages 24, 27-28	
103-3	Evaluation of the management approach.	Pages 24, 27-28	
401-1	New employee hires and employee turnover.	In 2018, Höegh LNG hired 121 new employees, 40 office personnel and 81 maritime personnel. Out of the 40 new office personnel, 13 were below the age of 30, 25 were between the age of 30 and 50 and 2 were above the age of 50. 22 of the office personnel were female and 18 were male. Out of the 81 new maritime personnel, 3 were female. 53 of these were below the age of 30, 26 were in between the age of 30-50 and 2 were above the age of 50.	Turnover for onshore personnel in 2018 was 10.9 percent. 15 office employees left the company during 2017. 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			
103-1	Explanation of the material topic and its boundary.	Pages 24, 26-27	
103-2	The management approach and its components.	Pages 24, 26-27	
103-3	Evaluation of the management approach.	Pages 24, 26-27	
403-1	Workers covered by an occupational health and safety management.	Pages 26-27 For maritime personnel, 100% of the total workforce is represented in formal H&S committees. For office personnel, approximately 67% of the workforce is represented in formal H&S committees.	
403-2	Work-related injuries.	Pages 26-27 Accident reporting and statistics are made on basis of the "OCIMF Marine Injury Reporting Guidelines of February 1997".	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.

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Training and education			
103-1	Explanation of the material topic and its boundary.	Pages 24, 27-28	
103-2	The management approach and its components.	Pages 24, 27-28	
103-3	Evaluation of the management approach.	Pages 24, 27-28	
404-3	Percentage of employees receiving regular performance and career development reviews.	Page 27	
Non-discrimination			
103-1	Explanation of the material topic and its boundary.	Pages 24, 27	
103-2	The management approach and its components.	Pages 24, 27	
103-3	Evaluation of the management approach.	Pages 24, 27	
406-1	Incidents of discrimination and corrective actions taken.	None	
Supplier social assessment			
103-1	Explanation of the material topic and its boundary.	Pages 24, 29	
103-2	The management approach and its components.	Pages 24, 29	
103-3	Evaluation of the management approach.	Pages 24, 29	
414-1	New suppliers that were screened using social criteria.	All new suppliers are screened using social criteria.	
Socioeconomic compliance			
103-1	Explanation of the material topic and its boundary.	Pages 24, 28-29	
103-2	The management approach and its components.	Pages 24, 28-29	
103-3	Evaluation of the management approach.	Pages 24, 28-29	
419-1	Non-compliance with laws and regulations in the social and economic area.	None	

NOTES

NOTES

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