Höegh LNG Partners LP – The Floating LNG Infrastructure MLP

HÖEGH LNG PARTNERS LP

4Q19 Financial Results

February 27, 2020

Forward-Looking Statements

This report contains certain forward-looking statements concerning future events and our operations, performance and financial condition. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," "plan," "intend" or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the Partnership's control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to: market conditions and trends for floating storage and regasification units (“FSRUs”) and liquefied natural gas (“LNG”) carriers, including hire rates, vessel valuations, technological advancements, market preferences and factors affecting supply and demand of LNG, LNG carriers, and FSRUs; the Partnership's distribution policy and ability to make cash distributions on the Partnership's units or any increases in the quarterly distributions on the Partnership's common units; restrictions in the Partnership's debt agreements and pursuant to local laws on the Partnership's joint ventures' and subsidiaries' ability to make distributions; the Partnership's ability to settle or resolve the boil-off claim for the joint ventures, including the estimated amount thereof; the ability of Höegh LNG Holdings Ltd. (“Höegh LNG”) to meet its financial obligations to the Partnership, including its guarantee, option and indemnification obligations, including in relation to the boil-off claim; the Partnership’s ability to compete successfully for future chartering opportunities; demand in the FSRU sector or the LNG shipping sector, including demand for the Partnership’s vessels; the Partnership’s ability to purchase additional vessels from Höegh LNG in the future; the Partnership’s ability to integrate and realize the anticipated benefits from acquisitions; the Partnership’s anticipated growth strategies, including the acquisition of vessels; the Partnership’s anticipated receipt of dividends and repayment of indebtedness from subsidiaries and joint ventures; effects of volatility in global prices for crude oil and natural gas; the effect of the worldwide economic environment; turmoil in the global financial markets; fluctuations in currencies and interest rates; changes in the Partnership’s operating expenses, including drydocking, on-water class surveys, insurance costs and bunker costs; the Partnership’s ability to comply with financing agreements and the expected effect of restrictions and covenants in such agreements; the financial condition, liquidity and creditworthiness of the Partnership’s existing or future customers and their ability to satisfy their obligations under the Partnership’s contracts; the Partnership’s ability to replace existing borrowings, make additional borrowings and to access public equity and debt capital markets; planned capital expenditures and availability of capital resources to fund capital expenditures; the exercise of purchase options by the Partnership’s customers; the Partnership’s ability to perform under its contracts and maintain long-term relationships with the Partnership’s customers; the Partnership’s ability to leverage Höegh LNG’s relationships and reputation in the shipping industry; the Partnership’s continued ability to enter into long-term, fixed-rate charters and the hire rate thereof; the operating performance of the Partnership’s vessels and any related claims by Total S.A. or other customers; the Partnership’s ability to maximize the use of its vessels, including the redeployment or disposition of vessels no longer under long-term charters; the Partnership’s ability to compete successfully for future chartering and newbuilding opportunities; timely acceptance of the Partnership’s vessels by their charterers; termination dates and extensions of charters; the cost of, and the Partnership’s ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by the Partnership’s charterers applicable to its business; economic substance laws and regulations adopted or considered by various jurisdictions of formation or incorporation of the Partnership and certain of the Partnership’s subsidiaries; availability and cost of skilled labor, vessel crews and management; the number of offhire days and drydocking requirements, including the Partnership’s ability to complete scheduled drydocking on time and within budget; the Partnership’s incremental general and administrative expenses as a publicly traded limited partnership and the Partnership’s fees and expenses payable under its ship management agreements, the technical information and services agreement and the administrative services agreements; the anticipated taxation of the Partnership, its subsidiaries and affiliates and distributions to its unitholders; estimated future maintenance and replacement capital expenditures; the Partnership’s ability to retain key employees; customers’ increasing emphasis on environmental and safety concerns; potential liability from any pending or future litigation; risks inherent in the operation of the Partnership’s vessels including potential disruption due to accidents, political events, piracy or acts by terrorists; future sales of the Partnership’s common units, Series A preferred units and other securities in the public market; the Partnership’s business strategy and other plans and objectives for future operations; the Partnership’s ability to maintain effective internal control over financial reporting and effective disclosure controls and procedures; and other factors listed from time to time in the reports and other documents that the Partnership files with the SEC, including the Partnership’s Annual Report on Form 20-F for the year ended December 31, 2018 and subsequent annual reports on Form 20-F and quarterly reports on Form 6-K.

All forward-looking statements included in this report are made only as of the date of this report. New factors emerge from time to time, and it is not possible for the Partnership to predict all of these factors. Further, the Partnership cannot assess the impact of each such factor on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. The Partnership does not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

Glossary

- “HMLP” – Höegh LNG Partners LP
- “HLNG” or “Höegh LNG”– Höegh LNG Holdings Ltd.
- “Höegh LNG Group” – HMLP and HLNG
- “LNGC” – Liquefied Natural Gas Carrier
- “FSRU” – Floating Storage and Regasification Unit
- “EgyptCo” – HLNG owned counterparty to HMLP in Egypt
- “PGN” – Perusahaan Gas Negara
- “SPEC” – Sociedad Portuaria El Cayao S.A. E.S.P. (JV of Promigas and private equity)

HMLP Fourth Quarter 2019 Highlights

- All units operating according to contract and at 100% technical availability in the quarter
- Total revenues of $38.5 million and limited partners' interest in net income of $15.1 million
- Segment EBITDA(1) of $34.6 million and Coverage Ratio(2) of 1.1x
- Distribution of $0.44 per common unit, equivalent to a distribution of $1.76 per unit on an annualized basis

(1) Segment EBITDA is a non-GAAP financial measure. See the Appendix for a definition of Segment EBITDA and a reconciliation of Segment EBITDA to net income, the most directly comparable US GAAP financial measure.
(2) Coverage Ratio equals Distributable Cash Flow divided by distributions declared

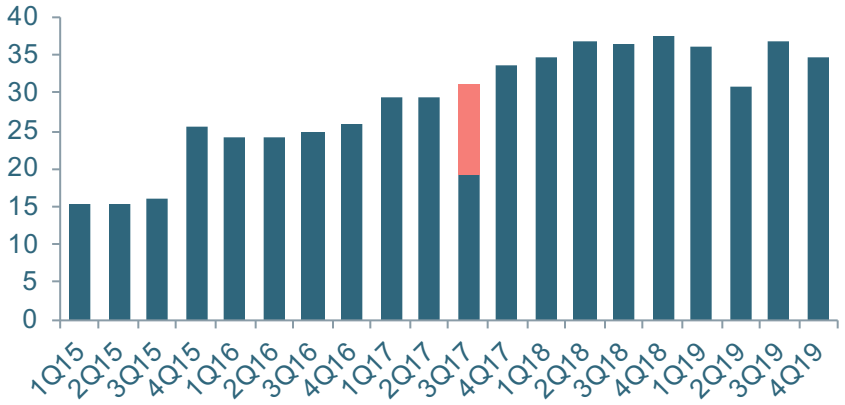
Key figures: Fourth Quarter 2019 vs. Fourth Quarter 2018

(in thousands of U.S. dollars)	Three months ended December 31, 2019	Three months ended December 31, 2018
Total revenues	$ 38,538	$ 37,762
Operating income (loss)	27,939	22,235
Net income	18,746	16,111
Limited partners' interest in net income (loss)	$ 15,120	$ 12,759
Excluding unrealized losses (gains) on derivative instruments & foreign exchange (gains) losses:		
Operating income (loss) (1)	24,030	26,327
Adjusted Net Income (2)	14,837	17,214
Limited partners' interest in Adjusted Net Income (2)	11,211	13,862
Segment EBITDA(2)	34,620	37,464
Distributable cash flow (2)	16,624	18,744
Distribution per common unit	0.44	0.44
Coverage ratio (3)	1.10x	1.25x

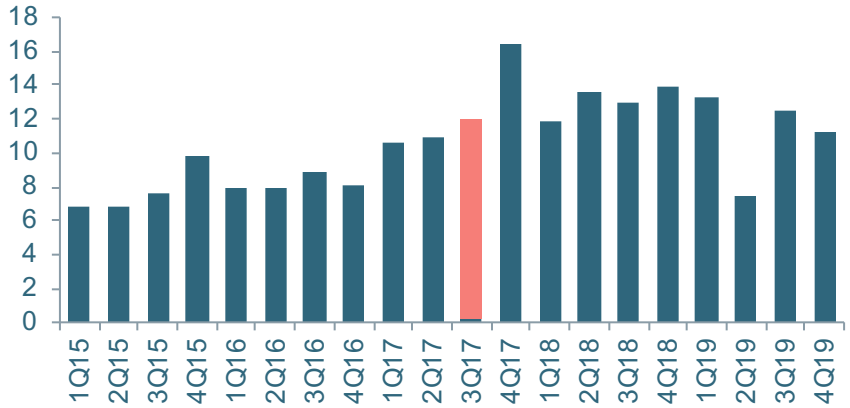
(1) Adjusts for share of (gains) losses on derivatives held by joint ventures for operating income
(2) Adjusted Net Income, Segment EBITDA and Distributable Cash Flow are non-GAAP financial measures. For a definition of each of these non-GAAP financial measures and reconciliations to their most directly comparable US GAAP financial measure, please see the Appendix.
(3) Coverage ratio equals Distributable Cash Flow divided by distributions declared

Long-term Contracts, Utility Customers, Stable Cash Flow[1]

Segment EBITDA[1][2], $m

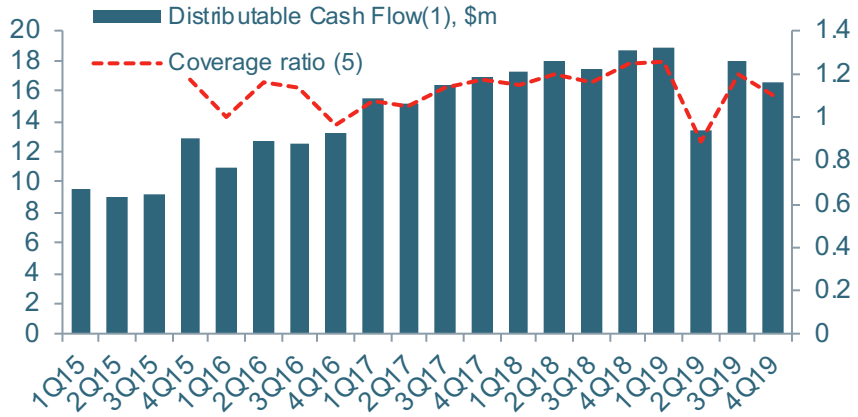


Adj. Net Income[1], $m

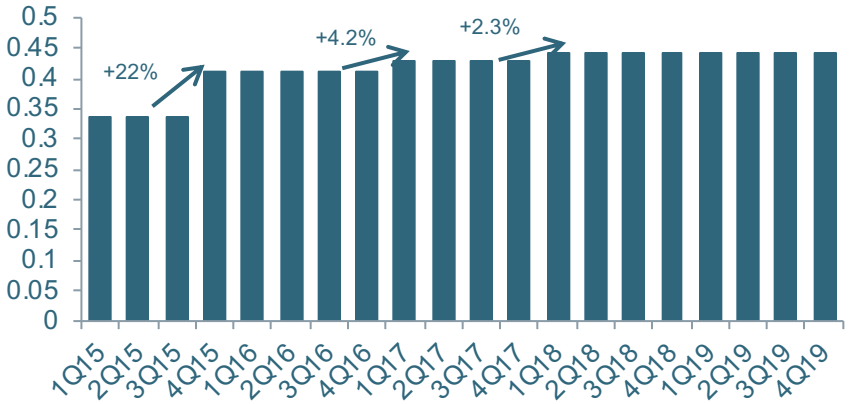


Indemnity[3]

Distributable Cash Flow[1], $m



Distribution, $/unit (130.4% MQD[4])



(1) Adjusted Net Income, Segment EBITDA and Distributable Cash Flow are non-GAAP financial measures. For a definition of each of these non-GAAP financial measures and reconciliations to their most directly comparable US GAAP financial measure, please see the Appendix. Following the acquisition of the 51% interest in the Höegh Grace, Limited Partners' Interest in Adjusted Net Income is presented from 1Q 2017

(2) Excludes principal payment on direct financing lease, amortization in revenues for above market contracts and equity in earnings of JVs: amortization for deferred revenue.

(3) Non-cash accrual related to boil-off-gas claim to be indemnified by HLNG

(4) 130.4% Minimum Quarterly Distribution in 4Q 2019

(5) Coverage ratio equals Distributable Cash Flow divided by distributions declared

Income Statement

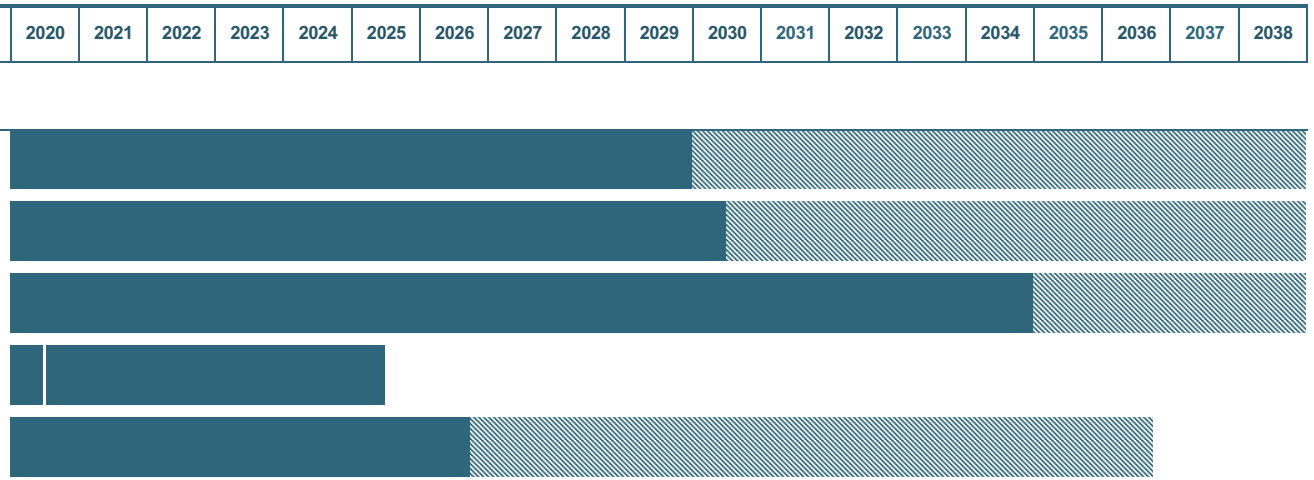
(in thousands of U.S. dollars, except per unit amounts)	Three months ended December 31, 2019	Three months ended December 31, 2018
REVENUES		
Time charter revenues	$ 38,487	$ 37,257
Other revenue	51	505
Total revenues	$ 38,538	$ 37,762
OPERATING EXPENSES		
Vessel operating expenses	(9,214)	(7,185)
Administrative expenses	(2,785)	(1,926)
Depreciation and amortization	(5,280)	(5,323)
Equity in earnings (losses) of joint ventures	6,680	(1,093)
Operating income (loss)	27,939	22,235
Total financial income (expense), net	(7,404)	(3,844)
Income (loss) before tax	20,535	18,391
Income tax benefit (expense)	(1,789)	(2,280)
Net income (loss)	$ 18,746	$ 16,111
Preferred unitholders' interest in net income	3,626	3,352
Limited partners' interest in net income	$ 15,120	$ 12,759
Earnings per unit		
Common unit public (basic and diluted)	$ 0.44	$ 0.37
Common unit Höegh LNG (basic and diluted)	$ 0.47	$ 0.40
Subordinated unit Höegh LNG (basic and diluted)	$ —	$ 0.40

Balance Sheet

(in thousands of U.S. dollars)	As of December 31, 2019	As of December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 39,126	$ 26,326
Restricted cash	8,066	6,003
Other current assets	12,579	14,536
Total current assets	59,771	46,865
Long-term assets		
Restricted cash	12,627	13,125
Accumulated earnings of joint ventures	3,270	—
Vessels, net of accumulated depreciation	640,431	658,311
Net investment in direct financing lease	274,353	278,905
Other long-term assets	22,348	25,834
Total long-term assets	953,029	976,175
Total assets	$ 1,012,800	$ 1,023,040
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	$ 44,660	$ 45,458
Amounts due to owners and affiliates	2,513	2,301
Other current liabilities	16,080	9,421
Total current liabilities	63,253	57,180
Long-term liabilities		
Accumulated losses of joint ventures	—	2,808
Long-term debt	412,301	390,087
Revolving credit due to owners and affiliates	8,792	39,292
Other long-term liabilities	26,944	13,236
Total long-term liabilities	448,037	445,423
Total liabilities	511,290	502,603
Total Equity	501,510	520,437
Total liabilities and equity	$ 1,012,800	$ 1,023,040

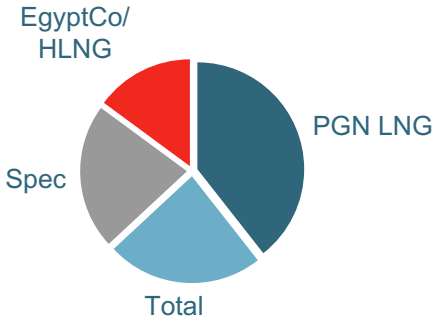
HMLP: 9.5 years Average Remaining Contract Length

	Built	Ownership	Region	Charterer
Höegh LNG Partners				
Neptune	2009	50 %	WW trading	Total (2)
Cape Ann	2010	50 %	India	Total (2)
PGN FSRU Lampung	2014	100% (1)	Indonesia	PGN
Höegh Gallant	2014	100 %	WW trading	EgyptCo/HLNG (3)
Höegh Grace	2016	100 %	Colombia	SPEC

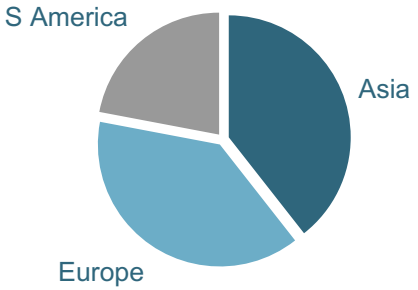


Long-term contract | Extension option | FSRU and/or LNGC intermediate charter | Under construction

Revenue backlog by counterparty (4)



Revenue backlog by region



(1) Economic interest; ownership interest 49%
(2) Subsidiary of Total
(3) Includes HMLP option to charter Höegh Gallant to HLNG at end of EgyptCo contract
(4) Revenue backlog is calculated as HMLP's share of the monthly hire rate for each vessel multiplied by the number of months remaining for each charter

HÖEGH LNG PARTNERS LP

Höegh LNG: Selected Project Pipeline at Sponsor Level

Time Charter Party signed/exclusivity[1]

Tender processes

Tender projects

AIE Powering Australian Industry

agl

FSRU project #3

FSRU project #4

FSRU project #5

Bilateral projects

- Atlantic basin
- Ongoing negotiations
- Potential FID 2020
- Potential start-up 2021
- Discussions ongoing in other markets

(1) Conditional on Final Investment Decision

Höegh LNG Maintains Strong ESG Focus; Committed to the Energy Transition and Decarbonisation

Environment

- Member of Getting to Zero coalition
- All vessels ready to meet new IMO regulations
- All FSRUs built after 2012 carry the “clean” notation
- Green recycling policy

GLOBAL MARITIME FORUM

Social

- Group-wide safety culture: Safety First!
- No forms of discrimination tolerated
- Zero tolerance for bribery and corruption
- Suppliers and business partners must comply with HLNG standards

MACN Maritime Anti-Corruption Network

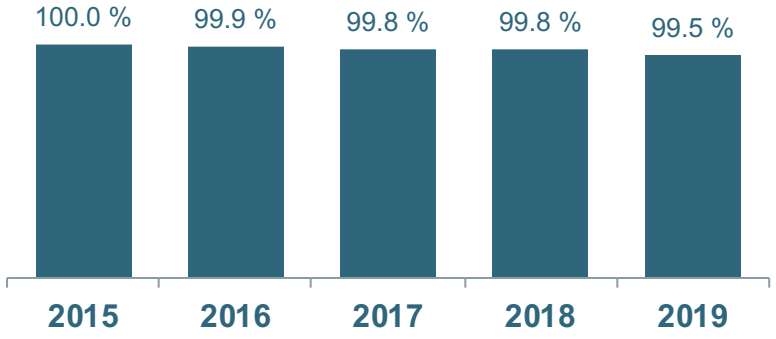
Governance

- Report in accordance with the “core” level of the GRI standards since 2014
- Management systems ISO 9001 and ISO 14001 certified
- Safety management system OHSAS 18001 compliant
- KPIs on HSE are reported to the BoD quarterly

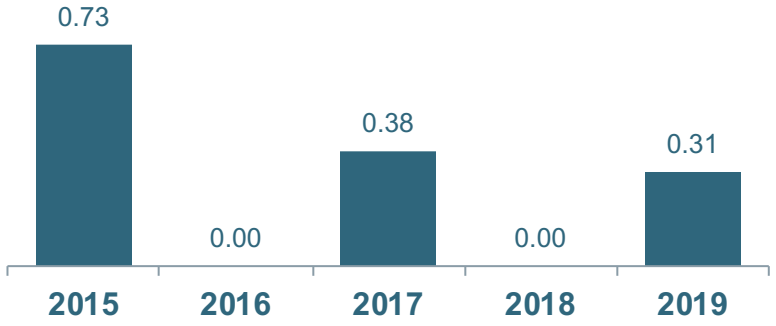
GRI Empowering Sustainable Decisions

Safe and Reliable

Technical availability[1]

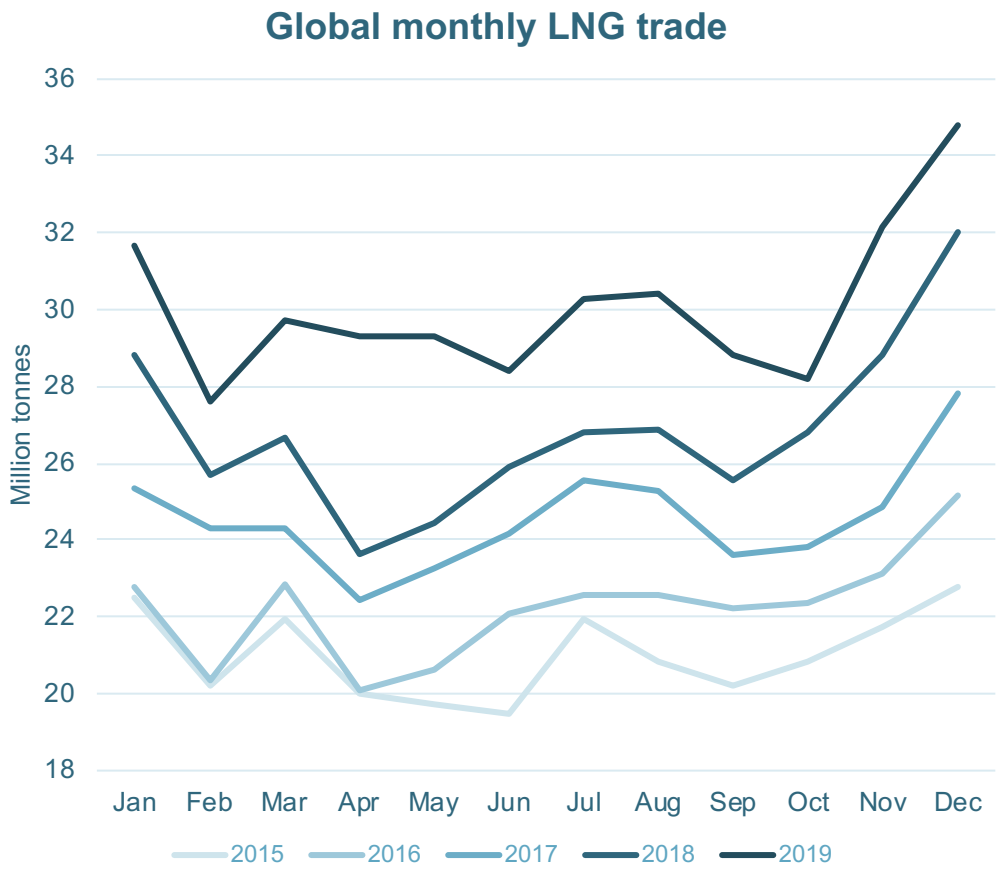


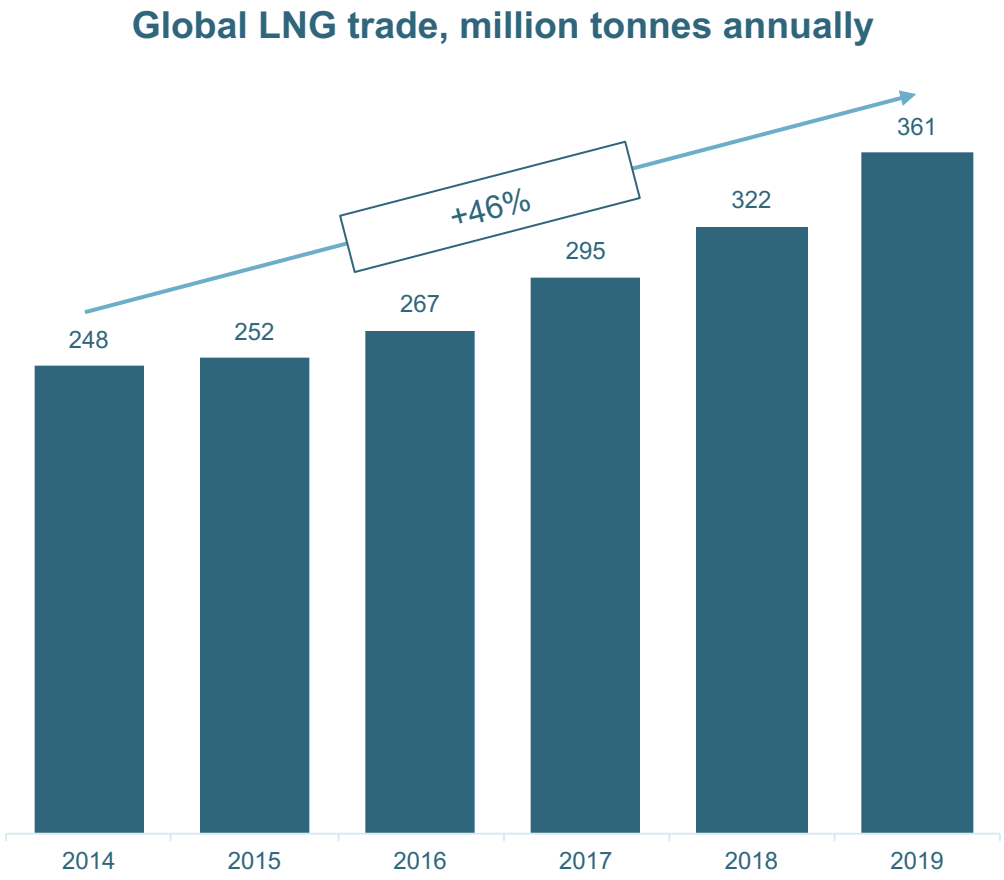
Lost time injury frequency[1][2]



(1) Höegh LNG statistics
(2) Calculated per million exposure hours for sea going personnel only

12% Growth in Global LNG Trade in 2019

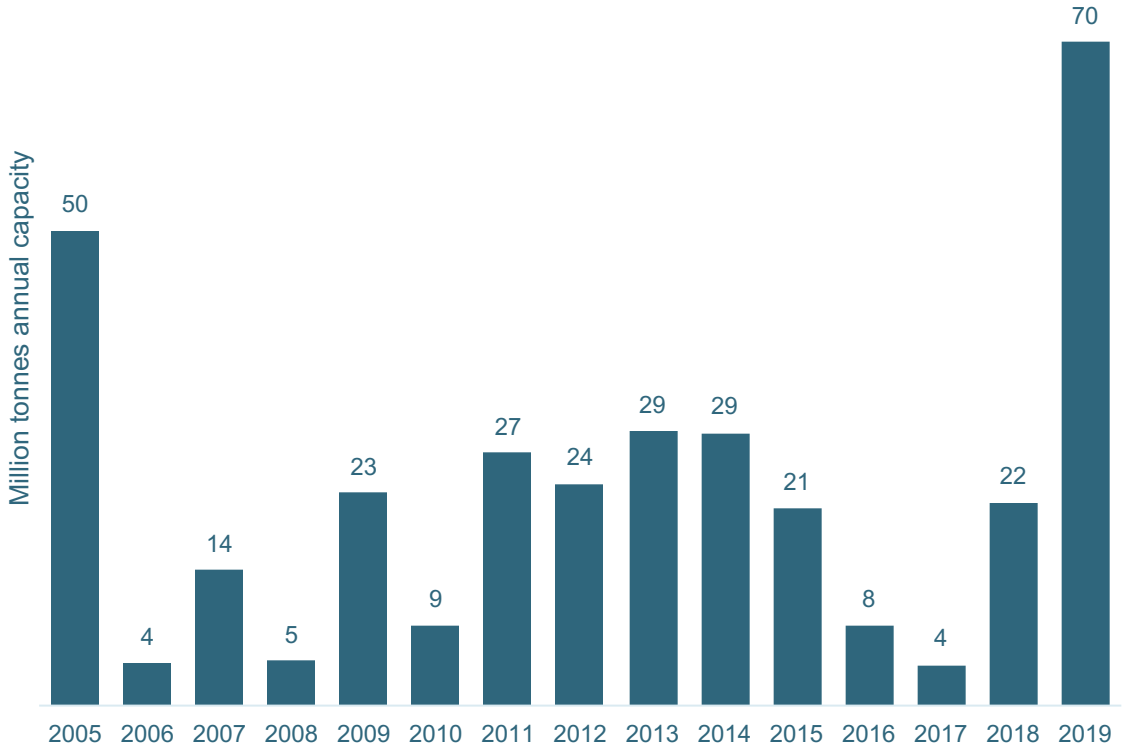




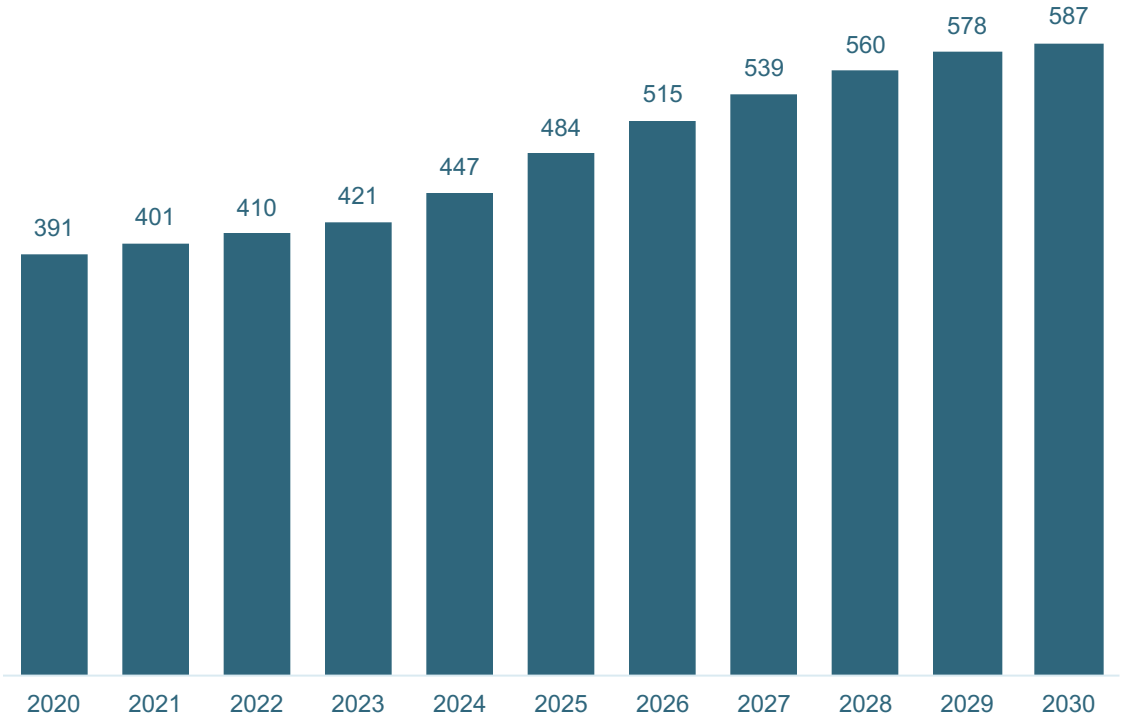
Source: IHS Markit

Liquefaction FIDs in 2019 – Highest Level Ever Seen

Liquefaction capacity by FID year



Global supply of LNG, million tonnes



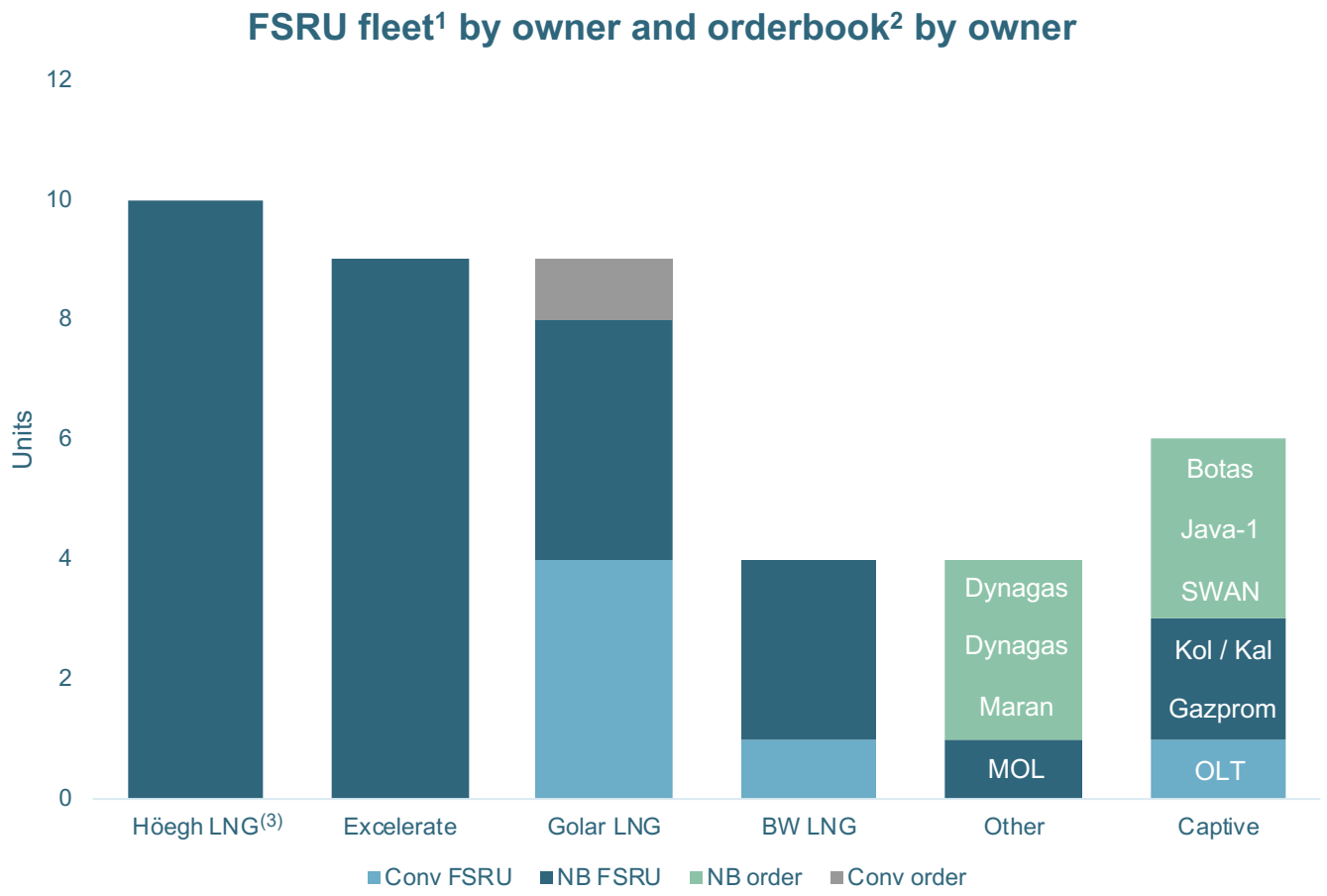
Highest level for FIDs for liquefaction capacity ever

43 million tonnes were sanctioned without long-term offtake agreements in place

FIDs made will secure growth in LNG volumes

Source: IHS Markit

35 FSRUs on the Water – 7 Units on Order



No new orders since 2018

Orderbook to be delivered through 2022

(1) Including purpose built FSRUs and conversions, barges excluded
(2) Orderbook defined as confirmed orders, excluding LOIs, options and conversions not firmed up
(3) Includes FSRUs owned by HMLP
Source: publicly available company information, Höegh LNG

Höegh LNG Partners LP (NYSE:HMLP) – Investment Summary

HÖEGH LNG PARTNERS LP

- The Only Publicly Listed Pure Play Owner and Operator of FSRUs
- Rapidly Growing Supply of Inexpensive LNG Driving FSRU Adoption
- Modern Assets Providing Critical Energy Infrastructure
- Portfolio of Long-Term Contracts Supports Strong Distribution Coverage
- Potential Dropdowns Expected to Drive Long-Term Distribution Growth
- GP Support from a Clear Market Leader in Höegh LNG Holdings

Appendix

Segment Reporting – 4Q 2019

(in thousands of U.S. dollars)	Three months ended December 31, 2019						
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Elimin-ations		Consolidated reporting
Time charter revenues	$ 38,487	10,533	—	49,020	(10,533)	(1)	$ 38,487
Other revenue	51 (3)	—	—	51		(1)	51
Total revenues	38,538	10,533	—	49,071			38,538
Operating expenses	(10,194)	(2,452)	(1,805)	(14,451)	2,452	(1)	(11,999)
Equity in earnings (losses) of joint ventures	—	—	—	—	6,680	(1)	6,680
Segment EBITDA	**28,344**	**8,081**	**(1,805)**	**34,620**			
Depreciation, amortization and impairment	(5,280)	(2,498)	—	(7,778)	2,498	(1)	(5,280)
Operating income (loss)	23,064	5,583	(1,805)	26,842			27,939
Gain (loss) on derivative instruments	—	4,145	—	4,145	(4,145)	(1)	—
Other financial income (expense), net	(2,745)	(3,048)	(4,659)	(10,452)	3,048	(1)	(7,404)
Income (loss) before tax	20,319	6,680	(6,464)	20,535	—		20,535
Income tax benefit (expense)	(1,792)	—	3	(1,789)	—		(1,789)
Net income (loss)	$ 18,527	6,680	(6,461)	18,746	—		$ 18,746
Preferred unitholders' interest in net income	—	—	—	—	3,626	(2)	3,626
Limited partners' interest in net income (loss)	$ 18,527	6,680	(6,461)	18,746	(3,626)	(2)	$ 15,120

(1) Eliminations reverse each of the income statement line items of the proportional amounts for joint venture FSRUs and record the Partnership's share of the joint venture FSRUs net income (loss) to Equity in earnings (loss) of joint ventures.
(2) Allocates the preferred unitholders' interest in net income to the preferred unitholders.
(3) Other revenue relates to a final insurance settlement for the 2018 technical issues on the *Höegh Gallant*.

Segment Reporting – 4Q 2018

(in thousands of U.S. dollars)		Three months ended December 31, 2018							
		Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Elimin-ations			Consolidated reporting
Time charter revenues	$	37,257	11,137	—	48,394	(11,137)	(1)	$	37,257
Other revenue		505 (3)	—	—	505		(1)		505
Total revenues		37,762	11,137	—	48,899				37,762
Operating expenses		(7,865)	(2,324)	(1,246)	(11,435)	2,324	(1)		(9,111)
Equity in earnings (losses) of joint ventures		—	—	—	—	(1,093)	(1)		(1,093)
Segment EBITDA		**29,897**	**8,813**	**(1,246)**	**37,464**				—
Depreciation and amortization		(5,323)	(2,526)	—	(7,849)	2,526	(1)		(5,323)
Operating income (loss)		24,574	6,287	(1,246)	29,615				22,235
Gain (loss) on derivative instruments		2,989	(4,137)	—	(1,148)	4,137	(1)		2,989
Other financial income (expense), net		(6,322)	(3,243)	(511)	(10,076)	3,243	(1)		(6,833)
Income (loss) before tax		21,241	(1,093)	(1,757)	18,391	—			18,391
Income tax benefit (expense)		(2,278)	—	(2)	(2,280)	—			(2,280)
Net income (loss)	$	18,963	(1,093)	(1,759)	16,111	—		$	16,111
Preferred unitholders' interest in net income		—	—	—	—	3,352	(2)		3,352
Limited partners' interest in net income (loss)	$	18,963	(1,093)	(1,759)	16,111	(3,352)	(2)	$	12,759

(1) Eliminations reverse each of the income statement line items of the proportional amounts for joint venture FSRUs and record the Partnership's share of the joint venture FSRUs net income (loss) to Equity in earnings (loss) of joint ventures.
(2) Allocates the preferred unitholders' interest in net income to the preferred unitholders.
(3) Other revenue consists of insurance proceeds received for a claim related to the *PGN FSRU Lampung's* activities from prior periods and the probable insurance recovery for repair expenses incurred for the *Höegh Gallant.*

Non-GAAP Financial Measures

Adjusted Net Income and Limited Partners' Interest in Adjusted Net Income

Adjusted Net Income is defined as net income adjusted for unrealized gains and losses on derivative instruments and foreign exchange gains and losses. *Limited partners' interest in Adjusted Net Income* is adjusted net income less non-controlling interest, less preferred unitholders' interest in net income, less non-controlling interest in gain (loss) on derivatives in majority held FSRUs. The adjustment for unrealized gains and losses on derivative instruments includes our share of such gains and losses related to the joint ventures accounted for under the equity method in addition to those gains and losses reflected as financial income (expense), net in the consolidated statements of income. Adjusted Net Income and Limited partners' interest in Adjusted Net Income is used as a supplemental financial measure by management to assess its operating performance. The Partnership believes that Adjusted Net Income and Limited partners' interest in Adjusted Net Income assists its management and investors by increasing the comparability of its performance from period to period and against the performance of other companies in the industry that provide Adjusted Net Income and Limited partners' interest in Adjusted Net Income information. This increased comparability is achieved by excluding the potentially disparate effects between periods, which items are affected by different accounting solutions for interest rate swaps and swings in exchange rates which may significantly affect net income between periods. Adjusted Net Income and Limited partners' interest in Adjusted Net Income should not be considered an alternative to net income or any other measure of financial performance presented in accordance with U.S. GAAP. Adjusted Net Income and Limited partners' interest in Adjusted Net Income excludes some, but not all, items that affect net income and Limited partners' interest in net income, and these measures may vary among other companies. Therefore, Adjusted Net Income and Limited partners' interest in Adjusted Net Income as presented below may not be comparable to similarly titled measures of other companies. The following table reconciles Adjusted Net Income and Limited partners' interest in Adjusted Net Income to Net Income (Loss), the comparable U.S. GAAP financial measure, for the periods presented:

	Three months ended							
(in thousands of U.S. dollars)	**March 31, 2015**	**June 30, 2015**	**September 31, 2015**	**December 31, 2015**	**March 31, 2016**	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**
Net Income (Loss)	$ 2,578	16,438	5,185	17,078	(1,040)	4,062	13,425	$ 24,933
Loss (gain) on derivatives in Majority held FRSUs	(121)	8	(354)	(482)	(335)	(326)	(517)	(661)
Equity in earnings of JVs: Loss (gain) on derivatives in Joint Ventures	3,932	(9,871)	2,109	(5,416)	8,993	4,174	(4,139)	(16,120)
Foreign exchange loss (gain)	426	246	643	(1,299)	337	27	66	(47)
Adjusted Net Income (Loss)	6,815	6,821	7,583	9,881	7,955	7,937	8,836	8,106
Limited Partners Interest in Adjusted Net Income (Loss)	$ 6,815	6,821	7,583	9,881	7,955	7,937	8,836	$ 8,106

Non-GAAP Financial Measures

Adjusted Net Income and Limited Partners' Interest in Adjusted Net Income (cont.)

	Three months ended							
(in thousands of U.S. dollars)	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**
Net Income (Loss)	$ 16,188	12,212	5,407	25,381	21,686	19,944	19,882	$ 16,111
Loss (gain) on derivatives in Majority held FRSUs	(663)	(247)	(571)	(982)	(631)	(544)	(516)	(2,989)
Equity in earnings of JVs: Loss (gain) on derivatives in Joint Ventures	(2,496)	785	(1,802)	(3,681)	(6,515)	(2,967)	(3,151)	4,137
Foreign exchange loss (gain)	133	811	(24)	48	(58)	198	98	(45)
Adjusted Net Income (Loss)	13,162	13,561	3,010	20,766	14,482	16,631	16,313	17,214
Less non-controlling interest	(2,744)	(2,812)	(2,899)	(1,953)	—	—	—	—
Preferred unitholders' interest in net income	—	—	—	(2,480)	(2,660)	(3,003)	(3,288)	(3,352)
Less non-controlling interest in gain (loss) on derivatives in Majority held FSRUs	117	105	116	73	—	—	—	—
Limited Partners Interest in Adjusted Net Income (Loss)	$ 10,535	10,855	227	16,406	11,822	13,628	13,025	$ 13,862

Non-GAAP Financial Measures

Adjusted Net Income and Limited Partners' Interest in Adjusted Net Income (cont.)

	Three months ended			
(in thousands of U.S. dollars)	**March 31, 2019**	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**
Net Income (Loss)	$ 14,134	6,156	13,704	$ 18,746
Loss (gain) on derivatives in Majority held FRSUs	(18)	24	14	—
Equity in earnings of JVs: Loss (gain) on derivatives in Joint Ventures	2,541	4,649	2,165	(4,145)
Foreign exchange loss (gain)	19	36	105	236
Adjusted Net Income (Loss)	16,676	10,865	15,988	14,837
Preferred unitholders' interest in net income	(3,364)	(3,378)	(3,482)	(3,626)
Limited Partner's Interest in Adjusted Net Income (Loss)	$ 13,312	7,487	12,506	$ 11,211

Non-GAAP Financial Measures

Segment EBITDA

Segment EBITDA. EBITDA is defined as earnings before interest, depreciation and amortization and taxes. Segment EBITDA is defined as earnings before interest, taxes depreciation, amortization, impairment and other financial items. Other financial items consist of gain (loss) on debt extinguishment, gain (loss) on derivative instruments and other items, net (including foreign exchange gains and losses and withholding tax on interest expense). Segment EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as the Partnership's lenders, to assess its financial and operating performance. The Partnership believes that Segment EBITDA assists its management and investors by increasing the comparability of its performance from period to period and against the performance of other companies in the industry that provide Segment EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, depreciation and amortization, taxes, and other financial items, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. The Partnership believes that including Segment EBITDA as a financial and operating measure benefits investors in (a) selecting between investing in it and other investment alternatives and (b) monitoring its ongoing financial and operational strength in assessing whether to continue to hold common units. Segment EBITDA is a non-GAAP financial measure and should not be considered an alternative to net income, operating income or any other measure of financial performance presented in accordance with U.S. GAAP. Segment EBITDA excludes some, but not all, items that affect net income, and these measures may vary among other companies. Therefore, Segment EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following tables reconcile Segment EBITDA for each of the segments and the Partnership as a whole to net income (loss), the comparable U.S. GAAP financial measure, for the periods presented:

Segment EBITDA - historical

(in thousands of U.S. dollars)	Three months ended											
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Reconciliation to net income (loss)												
Net income (loss)	$ 2,578	16,438	5,185	17,075	(1,040)	4,062	13,425	24,933	16,188	12,212	5,407	$ 25,381
Interest income	(2,427)	(2,425)	(2,423)	(293)	(273)	(232)	(192)	(160)	(130)	(113)	(98)	(159)
Interest expense	3,800	3,710	3,744	6,517	6,406	6,354	6,283	6,135	7,736	7,752	7,739	6,858
Depreciation and amortization	8	8	8	2,630	2,630	2,636	2,647	2,639	5,263	5,263	5,264	5,265
Other financial items	979	942	922	(1,114)	702	636	261	(107)	139	1,175	62	(264)
Income tax (benefit) expense	93	59	109	52	449	501	476	2,446	1,755	2,042	2,185	(2,104)
Equity in earnings of JVs: Interest (income) expense, net	4,027	4,089	4,029	3,968	3,865	3,787	3,755	3,685	3,534	3,429	3,538	3,409
Equity in earnings of JVs: Depreciation and amortization	2,177	2,309	2,456	2,286	2,379	2,376	2,378	2,395	2,440	2,476	2,462	2,435
Equity in earnings of JVs: Other financial items	3,953	(9,897)	2,109	(5,422)	9,010	4,174	(4,139)	(16,120)	(2,478)	785	(1,802)	(3,681)
Non-controlling interest in Segment EBITDA	—	—	—	—	—	—	—	—	(4,994)	(5,423)	(5,354)	(3,438)
Segment EBITDA	$ 15,187	15,233	16,139	25,699	24,128	24,294	24,893	25,846	29,453	29,598	19,403	$ 33,702

(1) Other financial items consist of gains and losses on derivative instruments and other items, net including foreign exchange gains or losses and withholding tax on interest expense.

Segment EBITDA – 2018 and 2019

(in thousands of U.S. dollars)		Three months ended								
		March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019		December 31, 2019
Reconciliation to net income (loss)										
Net income (loss)	$	**21,686**	**19,944**	**19,882**	**16,111**	**14,134**	**6,156**	**13,704**	$	**18,746**
Interest income		(187)	(174)	(179)	(185)	(199)	(297)	(189)		(262)
Interest expense		6,864	6,918	6,655	6,377	6,836	7,148	6,957		6,751
Gain (loss) on debt extinguishment		—	—	—	—	(1,030)	—	—		—
Depreciation, amortization and impairment		5,268	5,268	5,287	5,323	5,323	5,589	5,285		5,280
Other financial items		(25)	336	264	(2,348)	1,047	759	854		915
Income tax (benefit) expense		2,109	1,866	2,050	2,280	1,910	1,511	2,065		1,789
Equity in earnings of JVs: Interest (income) expense, net		3,267	3,324	3,224	3,221	3,012	2,990	3,026		3,041
Equity in earnings of JVs: Depreciation, amortization and impairment		2,401	2,399	2,399	2,526	2,553	2,452	2,528		2,498
Equity in earnings of JVs: Other financial items		(6,515)	(2,967)	(3,138)	4,159	2,534	4,652	2,167		(4,138)
Segment EBITDA	$	**34,868**	**36,914**	**36,444**	**37,464**	**36,120**	**30,960**	**36,397**	$	**34,620**

(1) Other financial items consist of gains and losses on derivative instruments and other items, net including foreign exchange gains or losses and withholding tax on interest expense.

Non-GAAP Financial Measures
Distributable Cash Flow

Distributable cash flow represents Segment EBITDA adjusted for cash collections on principal payments on the direct financing lease, amortization in revenues for above market contracts less non-cash revenue: tax paid directly by charterer, amortization of deferred revenues for the joint ventures, interest income, interest expense less amortization of debt issuance cost, amortization and gain on cash flow hedges included in interest expense and proceeds from settlement of derivatives, other items (net), unrealized foreign exchange losses (gains), current income tax benefit (expense), net of uncertain tax position less non-cash income tax: tax paid directly by charterer, and other adjustments such as indemnification paid or to be paid by Höegh LNG for legal expenses related to the boil-off claim, non-budgeted expenses or losses, or prior period indemnifications refunded to, or to be refunded to, Höegh LNG for amounts recovered from insurance or the charterer, distributions on the Series A preferred units and estimated maintenance and replacement capital expenditures. Cash collections on the direct financing lease investment with respect to the *PGN FSRU Lampung* consist of the difference between the payments under time charter and the revenues recognized as a financing lease (representing the payment of the principal recorded as a receivable). Amortization in revenues for above market contracts consist of the non-cash amortization of the intangible for the above market time charter contract related to the acquisitions of the *Höegh Gallant* and *Höegh Grace*. Amortization of deferred revenues for the joint ventures accounted for under the equity method consist of non-cash amortization to revenues of charterer payments for modifications and drydocking to the vessels. Non-cash revenue: tax paid directly by charterer and non-cash income tax: tax paid directly by charterer consists of certain taxes paid by the charterer directly to the Colombian tax authorities on behalf of the Partnership's subsidiaries which is recorded as a component of time charter revenues and current income tax expenses. Estimated maintenance and replacement capital expenditures, including estimated expenditures for drydocking, represent capital expenditures required to maintain over the long-term the operating capacity of, or the revenue generated by, the Partnership's capital assets.

Distributable cash flow is presented starting with Segment EBITDA taken from the total segment reporting using the proportional consolidation method for the Partnership's 50% interests in the joint ventures as shown in this Appendix. Therefore, the adjustments to Segment EBITDA include the Partnership's share of the joint venture's adjustments. The Partnership believes distributable cash flow is an important liquidity measure used by management and investors in publicly traded partnerships to compare cash generating performance of the Partnership' cash generating assets from period to period by adjusting for cash and non-cash items that could potentially have a disparate effect between periods, and to compare the cash generating performance for specific periods to the cash distributions (if any) that are expected to be paid to limited partners. The Partnership also believes distributable cash flow benefits investors in comparing its cash generating performance to other companies that account for time charters as operating leases rather than financial leases, or that do not have non-cash amortization of intangibles or deferred revenue. Distributable cash flow is a non-GAAP liquidity measure and should not be considered as an alternative to net cash provided by operating activities, or any other measure of the Partnership's liquidity or cash flows calculated in accordance with GAAP. Distributable cash flow excludes some, but not all, items that affect net cash provided by operating activities and the measures may vary among companies. For example, distributable cash flow does not reflect changes in working capital balances. Distributable cash flow also includes some items that do not affect net cash provided by operating activities. Therefore, distributable cash flow may not be comparable to similarly titled measures of other companies. Distributable cash flow is not the same measure as available cash or operating surplus, both of which are defined by the Partnership's partnership agreement. The first table below reconciles distributable cash flow to Segment EBITDA, which is reconciled to net income, the most directly comparable GAAP measure for Segment EBITDA, in this Appendix. Refer to this Appendix for the definition of Segment EBITDA. The second table below reconciles distributable cash flow to net cash provided by operating activities, the most directly comparable GAAP measure for liquidity.

Distributable Cash Flow

(in thousands of U.S. dollars)	Three months ended March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Segment EBITDA	**$ 15,187**	**15,233**	**16,139**	**25,699**	**24,128**	**24,294**	**24,893**	**25,846**	**29,453**	**29,598**	**19,403**	**$ 33,702**
Cash collection/Principal payment on direct financing lease	703	722	739	755	772	789	806	824	843	861	881	900
Amortization in revenues for above market contracts	—	—	—	605	598	598	604	605	895	906	915	915
Non-controlling interest: Amortization of above market contract	—	—	—	—	—	—	—	—	(149)	(151)	(152)	(101)
Non-cash revenue: Tax paid directly by charterer	—	—	—	—	—	—	—	—	—	(432)	(200)	(229)
Equity in earnings of JVs: Amortization of deferred revenue	—	—	—	—	(322)	(509)	(508)	(528)	(574)	(563)	(600)	(588)
Non-controlling interest: Non-cash revenue	—	—	—	—	—	—	—	—	—	212	98	34
Interest income	2,427	2,425	2,423	293	273	232	192	162	141	126	122	187
Interest expense	(7,827)	(7,799)	(7,773)	(10,485)	(10,271)	(10,141)	(10,037)	(9,822)	(11,281)	(11,193)	(11,301)	(10,295)
Amortization of debt issuance cost and fair value of debt assumed	694	694	696	580	568	565	548	512	257	254	251	242
Other items, net	(1,100)	(934)	(1,276)	632	(1,037)	(962)	(778)	(554)	(820)	(1,421)	(633)	(718)
Unrealized foreign exchange losses (gains)	446	258	646	(1,245)	(51)	18	63	(141)	147	803	(36)	47
Current income tax expense, net of uncertain tax position	(177)	(179)	(185)	(806)	(108)	(30)	(86)	(99)	(691)	(1,127)	(1,103)	659
Non-cash income tax: Tax paid directly by charter	—	—	—	—	—	—	—	—	—	432	200	229
Non-controlling interest: Finance and tax items	—	—	—	—	—	—	—	—	1,176	1,304	1,319	714
Other adjustments:												
Indemnification paid by Höegh LNG after quarter end for non-budgeted expenses & losses	1,797	1,149	310	751	291	1,701	699	404	606	151	—	—
Recovery of prior period costs refunded or to be refunded to Höegh LNG for previous indemnifications	—	—	—	—	—	—	—	—	—	—	—	(1,534)
Equity in earnings of JVs: Non-cash boil off accrual to be indemnified by Höegh LNG	—	—	—	—	—	—	—	—	—	—	11,850	—
Distributions relating to Series A preferred units	—	—	—	—	—	—	—	—	—	—	—	(2,480)
Estimated maintenance and replacement capital expenditures	(2,550)	(2,428)	(2,550)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(4,520)	(4,520)	(4,520)	(4,725)
Distributable cash flow	**$ 9,600**	**9,141**	**9,169**	**12,909**	**10,971**	**12,685**	**12,526**	**13,339**	**15,483**	**15,240**	**16,494**	**$ 16,959**
Declared distribution				10,967	10,967	10,971	10,971	13,717	14,437	14,441	14,441	14,445
Coverage ratio				1.18x	1.0x	1.15x	1.14x	0.97x	1.07x	1.06x	1.14x	1.17x

Distributable Cash Flow (cont.)

(in thousands of U.S. dollars)	Three months ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Segment EBITDA	**$ 34,868**	**36,914**	**36,444**	**37,464**	**36,120**	**30,960**	**36,397**	**$ 34,620**
Cash collection/Principal payment on direct financing lease	920	943	965	986	1,008	1,030	1,053	1,077
Amortization in revenues for above market contracts	895	905	916	915	895	905	916	915
Non-cash revenue: Tax paid directly by charterer	(198)	(214)	(204)	(236)	(202)	(220)	(214)	(231)
Equity in earnings of JVs: Amortization of deferred revenue	(603)	(573)	(574)	(651)	(719)	(634)	(634)	(662)
Interest income	228	233	250	249	327	405	296	335
Interest expense	(10,172)	(10,301)	(9,950)	(9,662)	(9,976)	(10,246)	(10,090)	(9,865)
Amortization of debt issuance cost and fair value of debt assumed	230	219	218	205	518	681	673	657
Amortization and gain on cash flow hedges included in interest expense	—	—	—	—	(217)	24	14	—
Proceeds from settlement of derivatives	—	—	—	—	1,398	—	—	—
Other items, net	(606)	(880)	(794)	(662)	(1,039)	(761)	(856)	(921)
Unrealized foreign exchange losses (gains)	(66)	212	114	(79)	20	30	55	255
Current income tax expense, net of uncertain tax position	(604)	(439)	(718)	(1,272)	(847)	(601)	(1,135)	(986)
Non-cash income tax: Tax paid directly by charter	198	214	204	236	202	220	214	231
Other adjustments:								
Indemnification paid by Höegh LNG after quarter end for non-budgeted expenses & losses	—	—	—	327	—	—	—	—
Recovery of prior period costs refunded or to be refunded to Höegh LNG for previous indemnifications	—	(1,100)	(1,016)	(549)	(64)	—	—	—
Distributions relating to Series A preferred units	(2,660)	(3,003)	(3,288)	(3,352)	(3,364)	(3,378)	(3,482)	(3,626)
Estimated maintenance and replacement capital expenditures	(5,175)	(5,175)	(5,175)	(5,175)	(5,175)	(5,175)	(5,175)	(5,175)
Distributable cash flow	**$ 17,255**	**17,955**	**17,392**	**18,744**	**18,885**	**13,240**	**18,032**	**$ 16,624**
Declared distribution	14,954	14,988	15,003	15,007	15,031	15,036	15,036	15,045
Coverage ratio	1.15x	1.20x	1.16x	1.25x	1.26x	0.88x	1.20x	1.10x

Reconciliation of Distributable Cash Flow to Net Cash Provided by Operating Activities

(in thousands of U.S. dollars)	Three months ended March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Distributable cash flow	**$ 9,600**	**9,141**	**9,169**	**12,909**	**10,971**	**12,685**	**12,526**	**13,339**	**15,483**	**15,240**	**16,494**	**$ 16,959**
Estimated maintenance and replacement capital expenditures	2,550	2,428	2,550	3,870	3,870	3,870	3,870	3,870	4,520	4,520	4,520	4,725
Distributions relating to Series A preferred units	—	—	—	—	—	—	—	—	—	—	-	2,480
Recovery of prior period costs refunded or to be refunded to Höegh LNG for previous indemnifications	—	—	—	—	—	—	—	—	—	—	—	1,534
Indemnification paid by Höegh LNG after quarter end for non-budgeted expenses & losses	(1,797)	(1,149)	(310)	(751)	(291)	(1,701)	(699)	(404)	(606)	(151)	—	—
Equity in earnings of JVs: Non-cash boil off accrual to be indemnified by Höegh LNG	—	—	—	—	—	—	—	—	—	—	(11,850)	—
Non-controlling interest in Segment EBITDA	—	—	—	—	—	—	—	—	4,994	5,423	5,354	3,438
Non-controlling interest: amortization of above market contract	—	—	—	—	—	—	—	—	149	151	152	101
Non-controlling interest: finance and tax items	—	—	—	—	—	—	—	—	(1,176)	(1,304)	(1,319)	(714)
Non-controlling interest: non-cash revenue	—	—	—	—	—	—	—	—	—	(212)	(98)	(34)
Equity in earnings of JVs: Amortization of deferred revenue	—	—	—	—	322	509	508	528	574	563	600	588
Equity in earnings of JVs: Amortization of debt issuance cost	(46)	(46)	(46)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(44)	(44)
Equity in earnings of JVs: Depreciation and amortization	(2,177)	(2,309)	(2,456)	(2,285)	(2,379)	(2,376)	(2,378)	(2,395)	(2,440)	(2,476)	(2,462)	(2,435)
Equity in earnings of JVs: Gain (loss) on derivative instruments	(3,932)	9,871	(2,109)	5,416	(8,993)	(4,174)	4,139	16,120	2,496	(785)	1,802	3,681
Equity in losses (earnings) of joint ventures	2,122	(11,481)	249	(8,012)	6,708	1,866	(6,565)	(18,632)	(4,809)	(1,551)	7,321	(6,102)
Cash collection/Principal payment on direct financing lease	(703)	(722)	(739)	(755)	(772)	(789)	(806)	(824)	(843)	(861)	(881)	(900)
Changes in accrued interest expense and interest income	836	(235)	(270)	1,913	(113)	(411)	53	987	1,008	1,491	1,408	266
Other adjustments	14	(114)	192	52	10	231	56	302	136	332	186	111
Changes in working capital	7,454	(578)	5,144	372	2,655	(2,172)	3,854	(7,366)	136	(5,157)	3,600	(2,133)
Net cash provided by (used in) operating activities	**$ 13,921**	**4,806**	**11,374**	**12,684**	**11,943**	**7,493**	**14,513**	**5,479**	**19,577**	**15,178**	**24,783**	**$ 21,521**

Reconciliation of Distributable Cash Flow to Net Cash Provided by Operating Activities (cont.)

(in thousands of U.S. dollars)	Three months ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Distributable cash flow	**$ 17,255**	**17,955**	**17,392**	**18,744**	**18,885**	**13,240**	**18,032**	**$ 16,624**
Estimated maintenance and replacement capital expenditures	5,175	5,175	5,175	5,175	5,175	5,175	5,175	5,175
Distributions relating to Series A preferred units	2,660	3,003	3,288	3,352	3,364	3,378	3,482	3,626
Recovery of prior period costs refunded or to be refunded to Höegh LNG for previous indemnifications	—	1,100	1,016	549	64	—	—	—
Indemnification paid by Höegh LNG after quarter end for non-budgeted expenses & losses	—	—	—	(327)	—	—	—	—
Equity in earnings of JVs: Amortization of deferred revenue	603	573	574	651	719	634	634	662
Equity in earnings of JVs: Amortization of debt issuance cost	(43)	(43)	(43)	(43)	(42)	(42)	(42)	(42)
Equity in earnings of JVs: Depreciation, amortization and impairment	(2,401)	(2,399)	(2,399)	(2,526)	(2,553)	(2,452)	(2,528)	(2,498)
Equity in earnings of JVs: Gain (loss) on derivative instruments	6,515	2,967	3,151	(4,137)	(2,541)	(4,649)	(2,165)	4,145
Equity in losses (earnings) of joint ventures	(9,369)	(5,111)	(4,551)	1,093	(351)	1,575	(621)	(6,680)
Expenditure for drydocking	—	—	—	—	—	(2,862)	(284)	39
Cash collection/Principal payment on direct financing lease	(920)	(943)	(965)	(986)	—	—	—	—
Changes in accrued interest expense and interest income	389	(1,045)	(56)	(166)	2,736	(701)	(22)	(62)
Other adjustments	55	262	160	194	82	335	208	80
Changes in working capital	(594)	(847)	2,664	4,730	(3,663)	4,075	(2,438)	5,171
Net cash provided by (used in) operating activities	**$ 19,325**	**20,647**	**25,406**	**26,303**	**21,875**	**17,706**	**19,431**	**$ 26,240**

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